

EHB 1547

THE STATE SENATE
Wednesday, April 13, 2005

ENGROSSED

House Bill No. 1547

As Amended

ENGROSSED HOUSE BILL NO. 1547 - By: CALVEY, BALKMAN, DANK, NANCE,
BILLY, COODY, DENNEY, PETERS, PETERSON (Ron) and TERRILL of the
House and COFFEE of the Senate.

[revenue and taxation - Oklahoma Income Tax Code -
modifying procedures - effective date -
emergency]

**SECTION 1. AMENDATORY 68 O.S. 2001, Section 2358, as
last amended by Section 14, Chapter 322, O.S.L. 2004 (68 O.S. Supp.
2004, Section 2358), is amended to read as follows:**

Section 2358. For all tax years beginning after December 31,
1981, taxable income and adjusted gross income shall be adjusted to
arrive at Oklahoma taxable income and Oklahoma adjusted gross income
as required by this section.

A. The taxable income of any taxpayer shall be adjusted to
arrive at Oklahoma taxable income for corporations and Oklahoma
adjusted gross income for individuals, as follows:

1. There shall be added interest income on obligations of any
state or political subdivision thereto which is not otherwise
exempted pursuant to other laws of this state, to the extent that

1 such interest is not included in taxable income and adjusted gross
2 income.

3 2. There shall be deducted amounts included in such income that
4 the state is prohibited from taxing because of the provisions of the
5 Federal Constitution, the State Constitution, federal laws or laws
6 of Oklahoma.

7 3. The amount of any federal net operating loss deduction shall
8 be adjusted as follows:

9 a. For carryovers and carrybacks to taxable years
10 beginning before January 1, 1981, the amount of any
11 net operating loss deduction allowed to a taxpayer for
12 federal income tax purposes shall be reduced to an
13 amount which is the same portion thereof as the loss
14 from sources within this state, as determined pursuant
15 to this section and Section 2362 of this title, for
16 the taxable year in which such loss is sustained is of
17 the total loss for such year;

18 b. For carryovers and carrybacks to taxable years
19 beginning after December 31, 1980, the amount of any
20 net operating loss deduction allowed for the taxable
21 year shall be an amount equal to the aggregate of the
22 Oklahoma net operating loss carryovers and carrybacks
23 to such year. Oklahoma net operating losses shall be

1 separately determined by reference to Section 172 of
2 the Internal Revenue Code, 26 U.S.C., Section 172, as
3 modified by the Oklahoma Income Tax Act, Section 2351
4 et seq. of this title, and shall be allowed without
5 regard to the existence of a federal net operating
6 loss. For tax years beginning after December 31,
7 2000, the years to which such losses may be carried
8 shall be determined solely by reference to Section 172
9 of the Internal Revenue Code, 26 U.S.C., Section 172,
10 with the exception that the terms "net operating loss"
11 and "taxable income" shall be replaced with "Oklahoma
12 net operating loss" and "Oklahoma taxable income".

13 4. Items of the following nature shall be allocated as
14 indicated. Allowable deductions attributable to items separately
15 allocable in subparagraphs a, b and c of this paragraph, whether or
16 not such items of income were actually received, shall be allocated
17 on the same basis as those items:

18 a. Income from real and tangible personal property, such
19 as rents, oil and mining production or royalties, and
20 gains or losses from sales of such property, shall be
21 allocated in accordance with the situs of such
22 property;

1 b. Income from intangible personal property, such as
2 interest, dividends, patent or copyright royalties,
3 and gains or losses from sales of such property, shall
4 be allocated in accordance with the domiciliary situs
5 of the taxpayer, except that:

6 (1) where such property has acquired a nonunitary
7 business or commercial situs apart from the
8 domicile of the taxpayer such income shall be
9 allocated in accordance with such business or
10 commercial situs; interest income from
11 investments held to generate working capital for
12 a unitary business enterprise shall be included
13 in apportionable income; a resident trust or
14 resident estate shall be treated as having a
15 separate commercial or business situs insofar as
16 undistributed income is concerned, but shall not
17 be treated as having a separate commercial or
18 business situs insofar as distributed income is
19 concerned,

20 (2) income from such property which is required to be
21 allocated pursuant to the provisions of paragraph
22 5 of this subsection shall be allocated as herein
23 provided;

1 c. Net income or loss from a business activity which is
2 not a part of business carried on within or without
3 the state of a unitary character shall be separately
4 allocated to the state in which such activity is
5 conducted;

6 d. In the case of a manufacturing or processing
7 enterprise the business of which in Oklahoma consists
8 solely of marketing its products by:

9 (1) sales having a situs without this state, shipped
10 directly to a point from without the state to a
11 purchaser within the state, commonly known as
12 interstate sales,

13 (2) sales of the product stored in public warehouses
14 within the state pursuant to "in transit"
15 tariffs, as prescribed and allowed by the
16 Interstate Commerce Commission, to a purchaser
17 within the state,

18 (3) sales of the product stored in public warehouses
19 within the state where the shipment to such
20 warehouses is not covered by "in transit"
21 tariffs, as prescribed and allowed by the
22 Interstate Commerce Commission, to a purchaser
23 within or without the state,

1 the Oklahoma net income shall, at the option of the
2 taxpayer, be that portion of the total net income of
3 the taxpayer for federal income tax purposes derived
4 from the manufacture and/or processing and sales
5 everywhere as determined by the ratio of the sales
6 defined in this section made to the purchaser within
7 the state to the total sales everywhere. The term
8 "public warehouse" as used in this subparagraph means
9 a licensed public warehouse, the principal business of
10 which is warehousing merchandise for the public;

11 e. In the case of insurance companies, Oklahoma taxable
12 income shall be taxable income of the taxpayer for
13 federal tax purposes, as adjusted for the adjustments
14 provided pursuant to the provisions of paragraphs 1
15 and 2 of this subsection, apportioned as follows:
16 (1) except as otherwise provided by division (2) of
17 this subparagraph, taxable income of an insurance
18 company for a taxable year shall be apportioned
19 to this state by multiplying such income by a
20 fraction, the numerator of which is the direct
21 premiums written for insurance on property or
22 risks in this state, and the denominator of which
23 is the direct premiums written for insurance on

1 property or risks everywhere. For purposes of
2 this subsection, the term "direct premiums
3 written" means the total amount of direct
4 premiums written, assessments and annuity
5 considerations as reported for the taxable year
6 on the annual statement filed by the company with
7 the Insurance Commissioner in the form approved
8 by the National Association of Insurance
9 Commissioners, or such other form as may be
10 prescribed in lieu thereof,

11 (2) if the principal source of premiums written by an
12 insurance company consists of premiums for
13 reinsurance accepted by it, the taxable income of
14 such company shall be apportioned to this state
15 by multiplying such income by a fraction, the
16 numerator of which is the sum of (a) direct
17 premiums written for insurance on property or
18 risks in this state, plus (b) premiums written
19 for reinsurance accepted in respect of property
20 or risks in this state, and the denominator of
21 which is the sum of (c) direct premiums written
22 for insurance on property or risks everywhere,
23 plus (d) premiums written for reinsurance

1 accepted in respect of property or risks
2 everywhere. For purposes of this paragraph,
3 premiums written for reinsurance accepted in
4 respect of property or risks in this state,
5 whether or not otherwise determinable, may at the
6 election of the company be determined on the
7 basis of the proportion which premiums written
8 for insurance accepted from companies
9 commercially domiciled in Oklahoma bears to
10 premiums written for reinsurance accepted from
11 all sources, or alternatively in the proportion
12 which the sum of the direct premiums written for
13 insurance on property or risks in this state by
14 each ceding company from which reinsurance is
15 accepted bears to the sum of the total direct
16 premiums written by each such ceding company for
17 the taxable year.

18 5. The net income or loss remaining after the separate
19 allocation in paragraph 4 of this subsection, being that which is
20 derived from a unitary business enterprise, shall be apportioned to
21 this state on the basis of the arithmetical average of three factors
22 consisting of property, payroll and sales or gross revenue
23 enumerated as subparagraphs a, b and c of this paragraph. Net

1 income or loss as used in this paragraph includes that derived from
2 patent or copyright royalties, purchase discounts, and interest on
3 accounts receivable relating to or arising from a business activity,
4 the income from which is apportioned pursuant to this subsection,
5 including the sale or other disposition of such property and any
6 other property used in the unitary enterprise. Deductions used in
7 computing such net income or loss shall not include taxes based on
8 or measured by income. Provided, for corporations whose property
9 for purposes of the tax imposed by Section 2355 of this title has an
10 initial investment cost equaling or exceeding Two Hundred Million
11 Dollars (\$200,000,000.00) and such investment is made on or after
12 July 1, 1997, or for corporations which expand their property or
13 facilities in this state and such expansion has an investment cost
14 equaling or exceeding Two Hundred Million Dollars (\$200,000,000.00)
15 over a period not to exceed three (3) years, and such expansion is
16 commenced on or after January 1, 2000, the three factors shall be
17 apportioned with property and payroll, each comprising twenty-five
18 percent (25%) of the apportionment factor and sales comprising fifty
19 percent (50%) of the apportionment factor. The apportionment
20 factors shall be computed as follows:

21 a. The property factor is a fraction, the numerator of
22 which is the average value of the taxpayer's real and
23 tangible personal property owned or rented and used in

1 this state during the tax period and the denominator
2 of which is the average value of all the taxpayer's
3 real and tangible personal property everywhere owned
4 or rented and used during the tax period.

5 (1) Property, the income from which is separately
6 allocated in paragraph 4 of this subsection,
7 shall not be included in determining this
8 fraction. The numerator of the fraction shall
9 include a portion of the investment in
10 transportation and other equipment having no
11 fixed situs, such as rolling stock, buses, trucks
12 and trailers, including machinery and equipment
13 carried thereon, airplanes, salespersons'
14 automobiles and other similar equipment, in the
15 proportion that miles traveled in Oklahoma by
16 such equipment bears to total miles traveled,

17 (2) Property owned by the taxpayer is valued at its
18 original cost. Property rented by the taxpayer
19 is valued at eight times the net annual rental
20 rate. Net annual rental rate is the annual
21 rental rate paid by the taxpayer, less any annual
22 rental rate received by the taxpayer from
23 subrentals,

1 (3) The average value of property shall be determined
2 by averaging the values at the beginning and
3 ending of the tax period but the Oklahoma Tax
4 Commission may require the averaging of monthly
5 values during the tax period if reasonably
6 required to reflect properly the average value of
7 the taxpayer's property;

8 b. The payroll factor is a fraction, the numerator of
9 which is the total compensation for services rendered
10 in the state during the tax period, and the
11 denominator of which is the total compensation for
12 services rendered everywhere during the tax period.
13 "Compensation", as used in this subsection means those
14 paid-for services to the extent related to the unitary
15 business but does not include officers' salaries,
16 wages and other compensation.

17 (1) In the case of a transportation enterprise, the
18 numerator of the fraction shall include a portion
19 of such expenditure in connection with employees
20 operating equipment over a fixed route, such as
21 railroad employees, airline pilots, or bus
22 drivers, in this state only a part of the time,
23 in the proportion that mileage traveled in

1 Oklahoma bears to total mileage traveled by such
2 employees,

3 (2) In any case the numerator of the fraction shall
4 include a portion of such expenditures in
5 connection with itinerant employees, such as
6 traveling salespersons, in this state only a part
7 of the time, in the proportion that time spent in
8 Oklahoma bears to total time spent in furtherance
9 of the enterprise by such employees;

10 c. The sales factor is a fraction, the numerator of which
11 is the total sales or gross revenue of the taxpayer in
12 this state during the tax period, and the denominator
13 of which is the total sales or gross revenue of the
14 taxpayer everywhere during the tax period. "Sales",
15 as used in this subsection does not include sales or
16 gross revenue which are separately allocated in
17 paragraph 4 of this subsection.

18 (1) Sales of tangible personal property have a situs
19 in this state if the property is delivered or
20 shipped to a purchaser other than the United
21 States government, within this state regardless
22 of the FOB point or other conditions of the sale;
23 or the property is shipped from an office, store,

1 warehouse, factory or other place of storage in
2 this state and (a) the purchaser is the United
3 States government or (b) the taxpayer is not
4 doing business in the state of the destination of
5 the shipment.

6 (2) In the case of a railroad or interurban railway
7 enterprise, the numerator of the fraction shall
8 not be less than the allocation of revenues to
9 this state as shown in its annual report to the
10 Corporation Commission.

11 (3) In the case of an airline, truck or bus
12 enterprise or freight car, tank car, refrigerator
13 car or other railroad equipment enterprise, the
14 numerator of the fraction shall include a portion
15 of revenue from interstate transportation in the
16 proportion that interstate mileage traveled in
17 Oklahoma bears to total interstate mileage
18 traveled.

19 (4) In the case of an oil, gasoline or gas pipeline
20 enterprise, the numerator of the fraction shall
21 be either the total of traffic units of the
22 enterprise within Oklahoma or the revenue
23 allocated to Oklahoma based upon miles moved, at

1 the option of the taxpayer, and the denominator
2 of which shall be the total of traffic units of
3 the enterprise or the revenue of the enterprise
4 everywhere as appropriate to the numerator. A
5 "traffic unit" is hereby defined as the
6 transportation for a distance of one (1) mile of
7 one (1) barrel of oil, one (1) gallon of gasoline
8 or one thousand (1,000) cubic feet of natural or
9 casinghead gas, as the case may be.

10 (5) In the case of a telephone or telegraph or other
11 communication enterprise, the numerator of the
12 fraction shall include that portion of the
13 interstate revenue as is allocated pursuant to
14 the accounting procedures prescribed by the
15 Federal Communications Commission; provided that
16 in respect to each corporation or business entity
17 required by the Federal Communications Commission
18 to keep its books and records in accordance with
19 a uniform system of accounts prescribed by such
20 Commission, the intrastate net income shall be
21 determined separately in the manner provided by
22 such uniform system of accounts and only the
23 interstate income shall be subject to allocation

1 pursuant to the provisions of this subsection.

2 Provided further, that the gross revenue factors
3 shall be those as are determined pursuant to the
4 accounting procedures prescribed by the Federal
5 Communications Commission.

6 In any case where the apportionment of the three factors prescribed
7 in this paragraph attributes to Oklahoma a portion of net income of
8 the enterprise out of all appropriate proportion to the property
9 owned and/or business transacted within this state, because of the
10 fact that one or more of the factors so prescribed are not employed
11 to any appreciable extent in furtherance of the enterprise; or
12 because one or more factors not so prescribed are employed to a
13 considerable extent in furtherance of the enterprise; or because of
14 other reasons, the Tax Commission is empowered to permit, after a
15 showing by taxpayer that an excessive portion of net income has been
16 attributed to Oklahoma, or require, when in its judgment an
17 insufficient portion of net income has been attributed to Oklahoma,
18 the elimination, substitution, or use of additional factors, or
19 reduction or increase in the weight of such prescribed factors.
20 Provided, however, that any such variance from such prescribed
21 factors which has the effect of increasing the portion of net income
22 attributable to Oklahoma must not be inherently arbitrary, and
23 application of the recomputed final apportionment to the net income

1 of the enterprise must attribute to Oklahoma only a reasonable
2 portion thereof.

3 6. For calendar years 1997 and 1998, the owner of a new or
4 expanded agricultural commodity processing facility in this state
5 may exclude from Oklahoma taxable income, or in the case of an
6 individual, the Oklahoma adjusted gross income, fifteen percent
7 (15%) of the investment by the owner in the new or expanded
8 agricultural commodity processing facility. For calendar year 1999,
9 and all subsequent years, the percentage, not to exceed fifteen
10 percent (15%), available to the owner of a new or expanded
11 agricultural commodity processing facility in this state claiming
12 the exemption shall be adjusted annually so that the total estimated
13 reduction in tax liability does not exceed One Million Dollars
14 (\$1,000,000.00) annually. The Tax Commission shall promulgate rules
15 for determining the percentage of the investment which each eligible
16 taxpayer may exclude. The exclusion provided by this paragraph
17 shall be taken in the taxable year when the investment is made. In
18 the event the total reduction in tax liability authorized by this
19 paragraph exceeds One Million Dollars (\$1,000,000.00) in any
20 calendar year, the Tax Commission shall permit any excess over One
21 Million Dollars (\$1,000,000.00) and shall factor such excess into
22 the percentage for subsequent years. Any amount of the exemption
23 permitted to be excluded pursuant to the provisions of this

1 paragraph but not used in any year may be carried forward as an
2 exemption from income pursuant to the provisions of this paragraph
3 for a period not exceeding six (6) years following the year in which
4 the investment was originally made.

5 For purposes of this paragraph:

6 a. "Agricultural commodity processing facility" means
7 building, structures, fixtures and improvements used
8 or operated primarily for the processing or production
9 of marketable products from agricultural commodities.
10 The term shall also mean a dairy operation that
11 requires a depreciable investment of at least Two
12 Hundred Fifty Thousand Dollars (\$250,000.00) and which
13 produces milk from dairy cows. The term does not
14 include a facility that provides only, and nothing
15 more than, storage, cleaning, drying or transportation
16 of agricultural commodities, and

17 b. "Facility" means each part of the facility which is
18 used in a process primarily for:
19 (1) the processing of agricultural commodities,
20 including receiving or storing agricultural
21 commodities, or the production of milk at a dairy
22 operation,

- 1 (2) transporting the agricultural commodities or
2 product before, during or after the processing,
3 or
4 (3) packaging or otherwise preparing the product for
5 sale or shipment.

6 7. Despite any provision to the contrary in paragraph 3 of this
7 subsection, for taxable years beginning after December 31, 1999, in
8 the case of a taxpayer which has a farming loss, such farming loss
9 shall be considered a net operating loss carryback in accordance
10 with and to the extent of the Internal Revenue Code, 26 U.S.C.,
11 Section 172(b)(G). However, the amount of the net operating loss
12 carryback shall not exceed the lesser of:

- 13 a. Sixty Thousand Dollars (\$60,000.00), or
14 b. the loss properly shown on Schedule F of the Internal
15 Revenue Service Form 1040 reduced by one-half (1/2) of
16 the income from all other sources other than reflected
17 on Schedule F.

18 8. In taxable years beginning after December 31, 1995, all
19 qualified wages equal to the federal income tax credit set forth in
20 26 U.S.C.A., Section 45A, shall be deducted from taxable income.
21 The deduction allowed pursuant to this paragraph shall only be
22 permitted for the tax years in which the federal tax credit pursuant
23 to 26 U.S.C.A., Section 45A, is allowed. For purposes of this

1 paragraph, "qualified wages" means those wages used to calculate the
2 federal credit pursuant to 26 U.S.C.A., Section 45A.

3 B. The taxable income of any corporation shall be further
4 adjusted to arrive at Oklahoma taxable income, except those
5 corporations electing treatment as provided in subchapter S of the
6 Internal Revenue Code, 26 U.S.C., Section 1361 et seq., and Section
7 2365 of this title, deductions pursuant to the provisions of the
8 Accelerated Cost Recovery System as defined and allowed in the
9 Economic Recovery Tax Act of 1981, Public Law 97-34, 26 U.S.C.,
10 Section 168, for depreciation of assets placed into service after
11 December 31, 1981, shall not be allowed in calculating Oklahoma
12 taxable income. Such corporations shall be allowed a deduction for
13 depreciation of assets placed into service after December 31, 1981,
14 in accordance with provisions of the Internal Revenue Code, 26
15 U.S.C., Section 1 et seq., in effect immediately prior to the
16 enactment of the Accelerated Cost Recovery System. The Oklahoma tax
17 basis for all such assets placed into service after December 31,
18 1981, calculated in this section shall be retained and utilized for
19 all Oklahoma income tax purposes through the final disposition of
20 such assets.

21 Notwithstanding any other provisions of the Oklahoma Income Tax
22 Act, Section 2351 et seq. of this title, or of the Internal Revenue
23 Code to the contrary, this subsection shall control calculation of

1 depreciation of assets placed into service after December 31, 1981,
2 and before January 1, 1983.

3 For assets placed in service and held by a corporation in which
4 accelerated cost recovery system was previously disallowed, an
5 adjustment to taxable income is required in the first taxable year
6 beginning after December 31, 1982, to reconcile the basis of such
7 assets to the basis allowed in the Internal Revenue Code. The
8 purpose of this adjustment is to equalize the basis and allowance
9 for depreciation accounts between that reported to the Internal
10 Revenue Service and that reported to Oklahoma.

11 C. 1. For taxable years beginning after December 31, 1987, the
12 taxable income of any corporation shall be further adjusted to
13 arrive at Oklahoma taxable income for transfers of technology to
14 qualified small businesses located in Oklahoma. Such transferor
15 corporation shall be allowed an exemption from taxable income of an
16 amount equal to the amount of royalty payment received as a result
17 of such transfer; provided, however, such amount shall not exceed
18 ten percent (10%) of the amount of gross proceeds received by such
19 transferor corporation as a result of the technology transfer. Such
20 exemption shall be allowed for a period not to exceed ten (10) years
21 from the date of receipt of the first royalty payment accruing from
22 such transfer. No exemption may be claimed for transfers of

1 technology to qualified small businesses made prior to January 1,
2 1988.

3 2. For purposes of this subsection:

4 a. "Qualified small business" means an entity, whether
5 organized as a corporation, partnership, or
6 proprietorship, organized for profit with its
7 principal place of business located within this state
8 and which meets the following criteria:

9 (1) Capitalization of not more than Two Hundred Fifty
10 Thousand Dollars (\$250,000.00),

11 (2) Having at least fifty percent (50%) of its
12 employees and assets located in Oklahoma at the
13 time of the transfer, and

14 (3) Not a subsidiary or affiliate of the transferor
15 corporation;

16 b. "Technology" means a proprietary process, formula,
17 pattern, device or compilation of scientific or
18 technical information which is not in the public
19 domain;

20 c. "Transferor corporation" means a corporation which is
21 the exclusive and undisputed owner of the technology
22 at the time the transfer is made; and

1 d. "Gross proceeds" means the total amount of
2 consideration for the transfer of technology, whether
3 the consideration is in money or otherwise.

4 D. The Oklahoma adjusted gross income of any individual taxpayer
5 shall be further adjusted as follows to arrive at Oklahoma taxable
6 income:

7 1. a. In the case of individuals, there shall be added or
8 deducted, as the case may be, the difference necessary
9 to allow personal exemptions of One Thousand Dollars
10 (\$1,000.00) in lieu of the personal exemptions allowed
11 by the Internal Revenue Code.

12 b. There shall be allowed an additional exemption of One
13 Thousand Dollars (\$1,000.00) for each taxpayer or
14 spouse who is blind at the close of the tax year. For
15 purposes of this subparagraph, an individual is blind
16 only if the central visual acuity of the individual
17 does not exceed 20/200 in the better eye with
18 correcting lenses, or if the visual acuity of the
19 individual is greater than 20/200, but is accompanied
20 by a limitation in the fields of vision such that the
21 widest diameter of the visual field subtends an angle
22 no greater than twenty (20) degrees.

1 c. There shall be allowed an additional exemption of One
2 Thousand Dollars (\$1,000.00) for each taxpayer or
3 spouse who is sixty-five (65) years of age or older at
4 the close of the tax year based upon the filing status
5 and federal adjusted gross income of the taxpayer.
6 Taxpayers with the following filing status may claim
7 this exemption if the federal adjusted gross income
8 does not exceed:

- 9 (1) Twenty-five Thousand Dollars (\$25,000.00) if
10 married and filing jointly;
11 (2) Twelve Thousand Five Hundred Dollars (\$12,500.00)
12 if married and filing separately;
13 (3) Fifteen Thousand Dollars (\$15,000.00) if single;
14 and
15 (4) Nineteen Thousand Dollars (\$19,000.00) if a
16 qualifying head of household.

17 Provided, for taxable years beginning after December
18 31, 1999, amounts included in the calculation of
19 federal adjusted gross income pursuant to the
20 conversion of a traditional individual retirement
21 account to a Roth individual retirement account shall
22 be excluded from federal adjusted gross income for

1 purposes of the income thresholds provided in this
2 subparagraph.

3 d. For taxable years beginning after December 31, 1990,
4 and beginning before January 1, 1992, there shall be
5 allowed a one-time additional exemption of Four
6 Hundred Dollars (\$400.00) for each taxpayer or spouse
7 who is a member of the National Guard or any reserve
8 unit of the Armed Forces of the United States and who
9 was at any time during such taxable year deployed in
10 active service during a time of war or conflict with
11 an enemy of the United States.

12 2. a. ~~For taxable years ending on or before December 31,~~
13 2005, in the case of individuals who use the standard
14 deduction in determining taxable income, there shall
15 be added or deducted, as the case may be, the
16 difference necessary to allow a standard deduction in
17 lieu of the standard deduction allowed by the Internal
18 Revenue Code, in an amount equal to the larger of
19 fifteen percent (15%) of the Oklahoma adjusted gross
20 income or One Thousand Dollars (\$1,000.00), but not to
21 exceed Two Thousand Dollars (\$2,000.00), except that
22 in the case of a married individual filing a separate
23 return such deduction shall be the larger of fifteen

1 percent (15%) of such Oklahoma adjusted gross income
2 or Five Hundred Dollars (\$500.00), but not to exceed
3 the maximum amount of One Thousand Dollars
4 (\$1,000.00).

5 b. For taxable years beginning on and after January 1,
6 2006, in the case of individuals who use the standard
7 deduction in determining taxable income, there shall
8 be deducted the amount necessary to allow a standard
9 deduction in an amount equal to the larger of:

10 (1) fifteen percent (15%) of the Oklahoma adjusted
11 gross income or One Thousand Dollars (\$1,000.00),
12 but not to exceed Two Thousand Dollars
13 (\$2,000.00), except that in the case of a married
14 individual filing a separate return such
15 deduction shall be the larger of fifteen percent
16 (15%) of such Oklahoma adjusted gross income or
17 Five Hundred Dollars (\$500.00), but not to exceed
18 the maximum amount of One Thousand Dollars
19 (\$1,000.00), or

20 (2) the following percentages of the standard
21 deduction allowed by the Internal Revenue Code
22 for such taxpayer:

- 1 (a) for the taxable year beginning January 1,
2 2006, twenty-five percent (25%),
3 (b) for the taxable year beginning January 1,
4 2007, fifty percent (50%),
5 (c) for the taxable year beginning January 1,
6 2008, seventy-five percent (75%), and
7 (d) for the taxable year beginning January 1,
8 2009, and for subsequent taxable years one
9 hundred percent (100%).

10 3. In the case of resident and part-year resident individuals
11 having adjusted gross income from sources both within and without
12 the state, the itemized or standard deductions and personal
13 exemptions shall be reduced to an amount which is the same portion
14 of the total thereof as Oklahoma adjusted gross income is of
15 adjusted gross income. To the extent itemized deductions include
16 allowable moving expense, proration of moving expense shall not be
17 required or permitted but allowable moving expense shall be fully
18 deductible for those taxpayers moving within or into Oklahoma and no
19 part of moving expense shall be deductible for those taxpayers
20 moving without or out of Oklahoma. All other itemized or standard
21 deductions and personal exemptions shall be subject to proration as
22 provided by law.

1 4. A resident individual with a physical disability
2 constituting a substantial handicap to employment may deduct from
3 Oklahoma adjusted gross income such expenditures to modify a motor
4 vehicle, home or workplace as are necessary to compensate for his or
5 her handicap. A veteran certified by the Veterans Administration of
6 the federal government as having a service-connected disability
7 shall be conclusively presumed to be an individual with a physical
8 disability constituting a substantial handicap to employment. The
9 Tax Commission shall promulgate rules containing a list of
10 combinations of common disabilities and modifications which may be
11 presumed to qualify for this deduction. The Tax Commission shall
12 prescribe necessary requirements for verification.

13 5. In any taxable year the first One Thousand Five Hundred
14 Dollars (\$1,500.00) received by any person from the United States as
15 salary or compensation in any form, other than retirement benefits,
16 as a member of any component of the Armed Forces of the United
17 States shall be deducted from taxable income. Whenever the filing
18 of a timely income tax return by a member of the Armed Forces of the
19 United States is made impracticable or impossible of accomplishment
20 by reason of:

21 a. absence from the United States, which term includes
22 only the states and the District of Columbia;

1 b. absence from the State of Oklahoma while on active
2 duty; or
3 c. confinement in a hospital within the United States for
4 treatment of wounds, injuries or disease,
5 the time for filing a return and paying an income tax shall
6 be and is hereby extended without incurring liability for
7 interest or penalties, to the fifteenth day of the third
8 month following the month in which:

9 (1) Such individual shall return to the United States
10 if the extension is granted pursuant to
11 subparagraph a of this paragraph, return to the
12 State of Oklahoma if the extension is granted
13 pursuant to subparagraph b of this paragraph or
14 be discharged from such hospital if the extension
15 is granted pursuant to subparagraph c of this
16 paragraph; or

17 (2) An executor, administrator, or conservator of the
18 estate of the taxpayer is appointed, whichever
19 event occurs the earliest.

20 Provided, that the Tax Commission may, in its discretion, grant any
21 member of the Armed Forces of the United States an extension of time
22 for filing of income tax returns and payment of income tax without
23 incurring liabilities for interest or penalties. Such extension may

1 be granted only when in the judgment of the Tax Commission a good
2 cause exists therefor and may be for a period in excess of six (6)
3 months. A record of every such extension granted, and the reason
4 therefor, shall be kept.

5 6. The salary or any other form of compensation, received from
6 the United States by a member of any component of the Armed Forces
7 of the United States, shall be deducted from taxable income during
8 the time in which the person is detained by the enemy in a conflict,
9 is a prisoner of war or is missing in action and not deceased.

10 7. Notwithstanding anything in the Internal Revenue Code or in
11 the Oklahoma Income Tax Act to the contrary, it is expressly
12 provided that, in the case of resident individuals, amounts received
13 as dividends or distributions of earnings from savings and loan
14 associations or credit unions located in Oklahoma, and interest
15 received on savings accounts and time deposits from such sources or
16 from state and national banks or trust companies located in
17 Oklahoma, shall qualify as dividends for the purpose of the dividend
18 exclusion, and taxable income shall be adjusted accordingly to
19 arrive at Oklahoma taxable income; provided, however, that the
20 dividend, distribution of earnings and/or interest exclusion
21 provided for hereinabove shall not be cumulative to the maximum
22 dividend exclusion allowed by the Internal Revenue Code. Any
23 dividend exclusion already allowed by the Internal Revenue Code and

1 reflected in the taxpayer's Oklahoma taxable income together with
2 exclusion allowed herein shall not exceed the total of One Hundred
3 Dollars (\$100.00) per individual or Two Hundred Dollars (\$200.00)
4 per couple filing a joint return.

5 8. a. An individual taxpayer, whether resident or
6 nonresident, may deduct an amount equal to the federal
7 income taxes paid by the taxpayer during the taxable
8 year.

9 b. Federal taxes as described in subparagraph a of this
10 paragraph shall be deductible by any individual
11 taxpayer, whether resident or nonresident, only to the
12 extent they relate to income subject to taxation
13 pursuant to the provisions of the Oklahoma Income Tax
14 Act. The maximum amount allowable in the preceding
15 paragraph shall be prorated on the ratio of the
16 Oklahoma adjusted gross income to federal adjusted
17 gross income.

18 c. For the purpose of this paragraph, "federal income
19 taxes paid" shall mean federal income taxes, surtaxes
20 imposed on incomes or excess profits taxes, as though
21 the taxpayer was on the accrual basis. In determining
22 the amount of deduction for federal income taxes for
23 tax year 2001, the amount of the deduction shall not

1 be adjusted by the amount of any accelerated ten
2 percent (10%) tax rate bracket credit or advanced
3 refund of the credit received during the tax year
4 provided pursuant to the federal Economic Growth and
5 Tax Relief Reconciliation Act of 2001, P.L. No. 170-
6 16, and the advanced refund of such credit shall not
7 be subject to taxation.

8 d. The provisions of this paragraph shall apply to all
9 taxable years ending after December 31, 1978.

10 9. Retirement benefits not to exceed Five Thousand Five Hundred
11 Dollars (\$5,500.00) for the 2004 tax year and Seven Thousand Five
12 Hundred Dollars (\$7,500.00) for the 2005 tax year and all subsequent
13 tax years, which are received by an individual from the civil
14 service of the United States, any component of the Armed Forces of
15 the United States, the Oklahoma Public Employees Retirement System,
16 the Teachers' Retirement System of Oklahoma, the Oklahoma Law
17 Enforcement Retirement System, the Oklahoma Firefighters Pension and
18 Retirement System, the Oklahoma Police Pension and Retirement
19 System, the employee retirement systems created by counties pursuant
20 to Section 951 et seq. of Title 19 of the Oklahoma Statutes, the
21 Uniform Retirement System for Justices and Judges, the Oklahoma
22 Wildlife Conservation Department Retirement Fund, the Oklahoma
23 Employment Security Commission Retirement Plan, or the employee

1 retirement systems created by municipalities pursuant to Section 48-
2 101 et seq. of Title 11 of the Oklahoma Statutes shall be exempt
3 from taxable income.

4 10. In taxable years beginning after December 31, 1984, Social
5 Security benefits received by an individual shall be exempt from
6 taxable income, to the extent such benefits are included in the
7 federal adjusted gross income pursuant to the provisions of Section
8 86 of the Internal Revenue Code, 26 U.S.C., Section 86.

9 11. For taxable years beginning after December 31, 1994, lump-
10 sum distributions from employer plans of deferred compensation,
11 which are not qualified plans within the meaning of Section 401(a)
12 of the Internal Revenue Code, 26 U.S.C., Section 401(a), and which
13 are deposited in and accounted for within a separate bank account or
14 brokerage account in a financial institution within this state,
15 shall be excluded from taxable income in the same manner as a
16 qualifying rollover contribution to an individual retirement account
17 within the meaning of Section 408 of the Internal Revenue Code, 26
18 U.S.C., Section 408. Amounts withdrawn from such bank or brokerage
19 account, including any earnings thereon, shall be included in
20 taxable income when withdrawn in the same manner as withdrawals from
21 individual retirement accounts within the meaning of Section 408 of
22 the Internal Revenue Code.

1 12. In taxable years beginning after December 31, 1995,
2 contributions made to and interest received from a medical savings
3 account established pursuant to Sections 2621 through 2623 of Title
4 63 of the Oklahoma Statutes shall be exempt from taxable income.

5 13. For taxable years beginning after December 31, 1996, the
6 Oklahoma adjusted gross income of any individual taxpayer who is a
7 swine or poultry producer may be further adjusted for the deduction
8 for depreciation allowed for new construction or expansion costs
9 which may be computed using the same depreciation method elected for
10 federal income tax purposes except that the useful life shall be
11 seven (7) years for purposes of this paragraph. If depreciation is
12 allowed as a deduction in determining the adjusted gross income of
13 an individual, any depreciation calculated and claimed pursuant to
14 this section shall in no event be a duplication of any depreciation
15 allowed or permitted on the federal income tax return of the
16 individual.

17 14. a. In taxable years beginning after December 31, 2002,
18 nonrecurring adoption expenses paid by a resident
19 individual taxpayer in connection with:
20 (1) the adoption of a minor, or
21 (2) a proposed adoption of a minor which did not
22 result in a decreed adoption,

1 may be deducted from the Oklahoma adjusted gross
2 income.

3 b. The deductions for adoptions and proposed adoptions
4 authorized by this paragraph shall not exceed Twenty
5 Thousand Dollars (\$20,000.00) per calendar year.

6 c. The Tax Commission shall promulgate rules to implement
7 the provisions of this paragraph which shall contain a
8 specific list of nonrecurring adoption expenses which
9 may be presumed to qualify for the deduction. The Tax
10 Commission shall prescribe necessary requirements for
11 verification.

12 d. "Nonrecurring adoption expenses" means adoption fees,
13 court costs, medical expenses, attorney fees and
14 expenses which are directly related to the legal
15 process of adoption of a child including, but not
16 limited to, costs relating to the adoption study,
17 health and psychological examinations, transportation
18 and reasonable costs of lodging and food for the child
19 or adoptive parents which are incurred to complete the
20 adoption process and are not reimbursed by other
21 sources. The term "nonrecurring adoption expenses"
22 shall not include attorney fees incurred for the
23 purpose of litigating a contested adoption, from and

1 after the point of the initiation of the contest,
2 costs associated with physical remodeling, renovation
3 and alteration of the adoptive parents' home or
4 property, except for a special needs child as
5 authorized by the court.

6 15. In taxable years beginning before January 1, 2005,
7 retirement benefits not to exceed the amounts specified in this
8 paragraph, which are received by an individual sixty-five (65) years
9 of age or older and whose Oklahoma adjusted gross income is Twenty-
10 five Thousand Dollars (\$25,000.00) or less if the filing status is
11 single, head of household, or married filing separate, or Fifty
12 Thousand Dollars (\$50,000.00) or less if the filing status is
13 married filing joint or qualifying widow, shall be exempt from
14 taxable income. In taxable years beginning after December 31, 2004,
15 retirement benefits not to exceed the amounts specified in this
16 paragraph, which are received by an individual whose Oklahoma
17 adjusted gross income is Thirty-seven Thousand Five Hundred Dollars
18 (\$37,500.00) or less if the filing status is single, head of
19 household, or married filing separate, or Seventy-Five Thousand
20 Dollars (\$75,000.00) or less if the filing status is married filing
21 jointly or qualifying widow, shall be exempt from taxable income.
22 For purposes of this paragraph, "retirement benefits" means the
23 total distributions or withdrawals from the following:

- 1 a. an employee pension benefit plan which satisfies the
2 requirements of Section 401 of the Internal Revenue
3 Code, 26 U.S.C., Section 401,
4 b. an eligible deferred compensation plan that satisfies
5 the requirements of Section 457 of the Internal
6 Revenue Code, 26 U.S.C., Section 457,
7 c. an individual retirement account, annuity or trust or
8 simplified employee pension that satisfies the
9 requirements of Section 408 of the Internal Revenue
10 Code, 26 U.S.C., Section 408,
11 d. an employee annuity subject to the provisions of
12 Section 403(a) or (b) of the Internal Revenue Code, 26
13 U.S.C., Section 403(a) or (b),
14 e. United States Retirement Bonds which satisfy the
15 requirements of Section 86 of the Internal Revenue
16 Code, 26 U.S.C., Section 86, or
17 f. lump-sum distributions from a retirement plan which
18 satisfies the requirements of Section 402(e) of the
19 Internal Revenue Code, 26 U.S.C., Section 402(e).

20 The amount of the exemption provided by this paragraph shall be
21 limited to Five Thousand Five Hundred Dollars (\$5,500.00) for the
22 2004 tax year ~~and~~, Seven Thousand Five Hundred Dollars (\$7,500.00)
23 for the 2005 tax year and for all subsequent tax years. Any

1 individual who claims the exemption provided for in paragraph 9 of
2 this subsection shall not be permitted to claim a combined total
3 exemption pursuant to this paragraph and paragraph 9 of this
4 subsection in an amount exceeding Five Thousand Five Hundred Dollars
5 (\$5,500.00) for the 2004 tax year and Seven Thousand Five Hundred
6 Dollars (\$7,500.00) for the 2005 tax year and subsequent tax years.

7 16. In taxable years beginning after December 31, 1999, for an
8 individual engaged in production agriculture who has filed a
9 Schedule F form with the taxpayer's federal income tax return for
10 such taxable year, there shall be excluded from taxable income any
11 amount which was included as federal taxable income or federal
12 adjusted gross income and which consists of the discharge of an
13 obligation by a creditor of the taxpayer incurred to finance the
14 production of agricultural products.

15 17. In taxable years beginning December 31, 2000, an amount
16 equal to one hundred percent (100%) of the amount of any scholarship
17 or stipend received from participation in the Oklahoma Police Corps
18 Program, as established in Section 2-140.3 of Title 47 of the
19 Oklahoma Statutes shall be exempt from taxable income.

20 18. In taxable years beginning after December 31, 2001, there
21 shall be allowed a deduction in the amount of contributions to
22 accounts established pursuant to the Oklahoma College Savings Plan
23 Act. The deduction shall equal the amount of contributions to

1 accounts, but in no event shall the deduction for each contributor
2 exceed Two Thousand Five Hundred Dollars (\$2,500.00) each taxable
3 year for each account.

4 ~~E.~~ F. 1. For taxable years beginning after December 31, 2004,
5 a deduction from the Oklahoma adjusted gross income of any
6 individual taxpayer shall be allowed for qualifying gains receiving
7 capital treatment earned by the individual taxpayer during the
8 taxable year and included in the federal taxable income of such
9 individual taxpayer.

10 2. As used in this subsection:

11 a. "qualifying gains receiving capital treatment" means
12 the amount of net capital gains, as defined in Section
13 1222(11) of the Internal Revenue Code, included in an
14 individual taxpayer's federal income tax return that
15 was:

16 (1) earned by the individual taxpayer on real or
17 tangible personal property located within
18 Oklahoma that has been owned by the individual
19 taxpayer for a holding period of at least five
20 (5) years prior to the date of the transaction
21 from which such net capital gains arise, or

22 (2) earned on the sale of stock or on the sale of an
23 ownership interest in an Oklahoma company,

1 limited liability company, or partnership where
2 such stock or ownership interest has been owned
3 by the individual taxpayer for a holding period
4 of at least three (3) years prior to the date of
5 the transaction from which the net capital gains
6 arise,

7 b. "holding period" means an uninterrupted period of
8 time, and

9 c. "Oklahoma company", "limited liability company", or
10 "partnership" means an entity whose primary headquarters have been
11 located in Oklahoma for at least three (3) uninterrupted years prior
12 to the date of the transaction from which the net capital gains
13 arise.

14 **SECTION 2.** AMENDATORY 68 O.S. 2001, Section 2355, as
15 amended by Section 13, Chapter 322, O.S.L. 2004 (68 O.S. Supp. 2004,
16 Section 2355), is amended to read as follows:

17 Section 2355. A. Individuals. For all taxable years beginning
18 after December 31, 1998, a tax is hereby imposed upon the Oklahoma
19 taxable income of every resident or nonresident individual, which
20 tax shall be computed at the option of the taxpayer under one of the
21 two following methods:

22 1. METHOD 1.

1 under the provisions of the Internal Revenue Code and
2 heads of households as defined in the Internal Revenue
3 Code not deducting federal income tax:

4 (1) 1/2% tax on first \$2,000.00 or part thereof,

5 (2) 1% tax on next \$3,000.00 or part thereof,

6 (3) 2% tax on next \$2,500.00 or part thereof,

7 (4) 3% tax on next \$2,300.00 or part thereof,

8 (5) 4% tax on next \$2,400.00 or part thereof,

9 (6) 5% tax on next \$2,800.00 or part thereof,

10 (7) 6% tax on next \$6,000.00 or part thereof, and

11 (8) (a) for taxable years beginning after December
12 31, 1998, and before January 1, 2002, 6.75%
13 tax on the remainder,

14 (b) for taxable years beginning on or after
15 January 1, 2002, and before January 1, 2004,
16 7% tax on the remainder, ~~and~~

17 (c) for taxable years beginning on or after
18 January 1, 2004, and before January 1, 2006,
19 6.65% tax on the remainder, and

20 (d) for taxable years beginning on or after
21 January 1, 2006, 6.25% on the remainder.

22 2. METHOD 2.

- 1 (5) 4% tax on the next \$1,500.00 or part thereof,
- 2 (6) 5% tax on the next \$1,600.00 or part thereof,
- 3 (7) 6% tax on the next \$1,250.00 or part thereof,
- 4 (8) 7% tax on the next \$1,750.00 or part thereof,
- 5 (9) 8% tax on the next \$3,000.00 or part thereof,
- 6 (10) 9% tax on the next \$6,000.00 or part thereof, and
- 7 (11) 10% tax on the remainder.

8 B. Nonresident aliens. In lieu of the rates set forth in
9 subsection A above, there shall be imposed on nonresident aliens, as
10 defined in the Internal Revenue Code, a tax of eight percent (8%)
11 instead of thirty percent (30%) as used in the Internal Revenue
12 Code, with respect to the Oklahoma taxable income of such
13 nonresident aliens as determined under the provision of the Oklahoma
14 Income Tax Act.

15 Every payer of amounts covered by this subsection shall deduct
16 and withhold from such amounts paid each payee an amount equal to
17 eight percent (8%) thereof. Every payer required to deduct and
18 withhold taxes under this subsection shall for each quarterly period
19 on or before the last day of the month following the close of each
20 such quarterly period, pay over the amount so withheld as taxes to
21 the Tax Commission, and shall file a return with each such payment.
22 Such return shall be in such form as the Tax Commission shall
23 prescribe. Every payer required under this subsection to deduct and

1 withhold a tax from a payee shall, as to the total amounts paid to
2 each payee during the calendar year, furnish to such payee, on or
3 before January 31, of the succeeding year, a written statement
4 showing the name of the payer, the name of the payee and the payee's
5 social security account number, if any, the total amount paid
6 subject to taxation, and the total amount deducted and withheld as
7 tax and such other information as the Tax Commission may require.
8 Any payer who fails to withhold or pay to the Tax Commission any
9 sums herein required to be withheld or paid shall be personally and
10 individually liable therefore to the State of Oklahoma.

11 C. Corporations. For all taxable years beginning after
12 December 31, 1989, a tax is hereby imposed upon the Oklahoma taxable
13 income of every corporation doing business within this state or
14 deriving income from sources within this state in an amount equal to
15 six percent (6%) thereof.

16 There shall be no additional Oklahoma income tax imposed on
17 accumulated taxable income or on undistributed personal holding
18 company income as those terms are defined in the Internal Revenue
19 Code.

20 D. Certain foreign corporations. In lieu of the tax imposed in
21 the first paragraph of subsection C of this section, for all taxable
22 years beginning after December 31, 1989, there shall be imposed on
23 foreign corporations, as defined in the Internal Revenue Code, a tax

1 of six percent (6%) instead of thirty percent (30%) as used in the
2 Internal Revenue Code, where such income is received from sources
3 within Oklahoma, in accordance with the provisions of the Internal
4 Revenue Code and the Oklahoma Income Tax Act.

5 Every payer of amounts covered by this subsection shall deduct
6 and withhold from such amounts paid each payee an amount equal to
7 six percent (6%) thereof. Every payer required to deduct and
8 withhold taxes under this subsection shall for each quarterly period
9 on or before the last day of the month following the close of each
10 such quarterly period, pay over the amount so withheld as taxes to
11 the Tax Commission, and shall file a return with each such payment.
12 Such return shall be in such form as the Tax Commission shall
13 prescribe. Every payer required under this subsection to deduct and
14 withhold a tax from a payee shall, as to the total amounts paid to
15 each payee during the calendar year, furnish to such payee, on or
16 before January 31, of the succeeding year, a written statement
17 showing the name of the payer, the name of the payee and the payee's
18 social security account number, if any, the total amounts paid
19 subject to taxation, the total amount deducted and withheld as tax
20 and such other information as the Tax Commission may require. Any
21 payer who fails to withhold or pay to the Tax Commission any sums
22 herein required to be withheld or paid shall be personally and
23 individually liable therefore to the State of Oklahoma.

1 E. Fiduciaries. A tax is hereby imposed upon the Oklahoma
2 taxable income of every trust and estate at the same rates as are
3 provided in subsection A of this section for single individuals.
4 Fiduciaries are not allowed a deduction for any federal income tax
5 paid.

6 F. Tax rate tables. For all taxable years beginning after
7 December 31, 1991, in lieu of the tax imposed by subsection A of
8 this section, there is hereby imposed for each taxable year on the
9 taxable income of every individual, whose taxable income for such
10 taxable year does not exceed the ceiling amount, a tax determined
11 under tables, applicable to such taxable year which shall be
12 prescribed by the Tax Commission and which shall be in such form as
13 it determines appropriate. In the table so prescribed, the amounts
14 of the tax shall be computed on the basis of the rates prescribed by
15 subsection A of this section. For purposes of this subsection, the
16 term "ceiling amount" means, with respect to any taxpayer, the
17 amount determined by the Tax Commission for the tax rate category in
18 which such taxpayer falls.

19 **SECTION 3.** NEW LAW A new section of law to be codified
20 in the Oklahoma Statutes as Section 46 of Title 62, unless there is
21 created a duplication in numbering, reads as follows:

22 On or after July 1, 2005, but not later than August 31, 2005,
23 any surplus funds which accrue to the General Revenue Fund of the

1 State of Oklahoma over and above that which is placed in the
2 Constitutional Reserve Fund pursuant to Section 23 of Article X of
3 the Constitution of the State of Oklahoma for the fiscal year ending
4 June 30, 2005, shall be apportioned as follows:

5 1. Fifty percent (50%) to the Economic Development Research
6 Endowment Fund established in Section 3 of this act; and

7 2. Fifty percent (50%) to the Oklahoma Taxpayer Relief
8 Revolving Fund established in Section 4 of this act.

9 **SECTION 4.** NEW LAW A new section of law to be codified
10 in the Oklahoma Statutes as Section 46.1 of Title 62, unless there
11 is created a duplication in numbering, reads as follows:

12 A. There is hereby created a trust fund to be known as the
13 "Economic Development Research Endowment Fund". The trust fund
14 principal shall consist of monies which are apportioned pursuant to
15 paragraph 1 of Section 2 of this act, received by the State of
16 Oklahoma by donation and any other monies that may be appropriated
17 or otherwise directed to the trust fund by the Legislature for the
18 purpose of funding activities which support research and the
19 transfer of technology to the private sector.

20 B. The Economic Development Research Endowment Fund shall be
21 administered by the Oklahoma Science and Technology Research and
22 Technology Board. The Board shall have the duty of investing monies
23 accruing to the trust fund, subject to restrictions and limitations

1 provided by law for and in accordance with laws applicable to the
2 investment of monies in state retirement funds.

3 C. Earnings from the trust fund including, but not limited to,
4 interest, dividends, and realized capital gains from investments of
5 the trust fund, shall be expended for activities which support
6 research and the transfer of technology to the private sector
7 including, but not limited to, providing matching funds and
8 investment capital, purchasing equipment, constructing facilities
9 and developing information service networks.

10 D. Each fiscal year, the Board may expend the amount of
11 earnings which actually accrued to the trust fund during the
12 preceding fiscal year. Any amount not expended shall remain in the
13 trust fund. The Board shall direct specific expenditures to be made
14 for the purposes specified in subsection C of this section.

15 **SECTION 5.** NEW LAW A new section of law to be codified
16 in the Oklahoma Statutes as Section 2355.2 of Title 68, unless there
17 is created a duplication in numbering, reads as follows:

18 There is hereby created in the State Treasury a revolving fund
19 for the Oklahoma Tax Commission to be designated the "Oklahoma
20 Taxpayer Relief Revolving Fund". The fund shall be a continuing
21 fund, not subject to fiscal year limitations, and shall consist of
22 all monies received by the Oklahoma Tax Commission from the deposit
23 of monies in excess of the maximum amount of revenue that may be

1 deposited to the credit of the Constitutional Reserve as provided by
2 Section 2 of this act. All monies accruing to the credit of said
3 fund are hereby appropriated and may be budgeted and expended by the
4 Oklahoma Tax Commission for the purpose of making rebates to persons
5 who have filed an Oklahoma income tax return as prescribed by
6 Section 5 of this act. Expenditures from said fund shall be made
7 upon warrants issued by the State Treasurer against claims filed as
8 prescribed by law with the Director of State Finance for approval
9 and payment.

10 **SECTION 6.** NEW LAW A new section of law to be codified
11 in the Oklahoma Statutes as Section 2355.3 of Title 68, unless there
12 is created a duplication in numbering, reads as follows:

13 A. Not later than September 1, 2005, the Oklahoma Tax
14 Commission shall determine whether a person or persons have filed an
15 Oklahoma income tax return for the preceding calendar year. The Tax
16 Commission shall determine the amount of money deposited into the
17 Oklahoma Taxpayer Relief Revolving Fund as provided by Section 2 of
18 this act and shall divide the total amount of the deposit by the
19 number of persons who filed either an individual return or a joint
20 return with the total number of individual persons represented by
21 such filings to be used as the denominator. The result of such
22 computation shall determine the actual amount of the taxpayer rebate

1 to be paid each year per person, subject to the maximum amounts
2 prescribed by subsection B of this section.

3 B. Subject to the computation required by subsection A of this
4 section, the Oklahoma Tax Commission shall use the monies contained
5 in the Oklahoma Taxpayer Relief Revolving Fund to make a direct
6 rebate to each such person, or to persons who have filed a joint
7 return, in the maximum amount of:

8 1. One Hundred Dollars (\$100.00) to persons, payable jointly,
9 who filed a joint Oklahoma income tax return for the preceding
10 calendar year; or

11 2. Fifty Dollars (\$50.00) payable to any person who filed an
12 individual Oklahoma income tax return for the preceding calendar
13 year.

14 **SECTION 7.** This act shall become effective July 1, 2005.

15 **SECTION 8.** It being immediately necessary for the preservation
16 of the public peace, health and safety, an emergency is hereby
17 declared to exist, by reason whereof this act shall take effect and
18 be in full force from and after its passage and approval.

19 COMMITTEE REPORT BY: COMMITTEE ON FINANCE, dated 4-5-05 - DO PASS,
20 As Amended.