

STATE OF OKLAHOMA

1st Session of the 50th Legislature (2005)

SENATE BILL 410

By: Wilson

AS INTRODUCED

An Act relating to revenue and taxation; providing income tax exemption for certain income distributed from a business entity; establishing qualifications for exemption; prohibiting exemption under specified conditions; providing for certain determination by Oklahoma Department of Commerce; limiting amount of exemption; providing for codification; and providing an effective date.

BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

SECTION 1. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 2358.8 of Title 68, unless there is created a duplication in numbering, reads as follows:

A. Subject to the requirements of this section, for taxable years beginning after December 31, 2005, there shall be allowed an exemption from Oklahoma taxable income for income distributed from a business entity not to exceed the amount of investment in such business entity by the taxpayer.

B. In order to qualify for the exemption authorized by this section, the investment in the business entity must be made in a manner resulting in ownership of a majority of the shares or other equity interest entitled to control of the entity by residents of the county in which the principal business activity of the business is conducted.

C. No exemption shall be authorized pursuant to the provisions of this section if the acquisition of the majority of the equity interest entitled to control results in direct competition with any existing business the principal business activity of which is located in the same county as the business acquired. Such

determination regarding direct competition shall be made by the Oklahoma Department of Commerce upon request of the Oklahoma Tax Commission.

D. The total amount of income exempt as provided by this section shall be limited to the amount of the equity interest initially acquired in order to obtain ownership of the majority of the shares or other equity interest having control of such business entity.

SECTION 2. This act shall become effective January 1, 2006.

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