

1 STATE OF OKLAHOMA

2 1st Session of the 51st Legislature (2007)

3 COMMITTEE SUBSTITUTE  
4 FOR

5 HOUSE BILL NO. 1386

6 By: Terrill

7 COMMITTEE SUBSTITUTE

8 ( Revenue and taxation - franchise tax - income tax -  
9 corporations - modifying rates - tax credit -  
10 qualified interns - rules - codification -  
11 effective date )

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

15 SECTION 1. AMENDATORY 68 O.S. 2001, Section 1205, as  
16 amended by Section 1, Chapter 388, O.S.L. 2005 (68 O.S. Supp. 2006,  
17 Section 1205), is amended to read as follows:

18 Section 1205. A. In determining the amount of tax to be  
19 levied, assessed and collected under the terms of this Article, the  
20 maximum amount shall not exceed Twenty Thousand Dollars  
21 (\$20,000.00).

22 B. If, as a result of the computation of tax required by  
23 Section 1209 of this title, the resulting liability is ~~Ten Dollars~~  
24 ~~(\$10.00)~~ Two Hundred Fifty Dollars (\$250.00) or less, the

1 corporation or other entity shall be exempt from the tax levied by  
2 Section 1203 or Section 1204 of this title for such reporting  
3 period.

4 SECTION 2. AMENDATORY 68 O.S. 2001, Section 2355, as  
5 last amended by Section 3, Chapter 42, 2nd Extraordinary Session,  
6 O.S.L. 2006 (68 O.S. Supp. 2006, Section 2355), is amended to read  
7 as follows:

8 Section 2355. A. Individuals. For all taxable years beginning  
9 after December 31, 1998 and before January 1, 2006, a tax is hereby  
10 imposed upon the Oklahoma taxable income of every resident or  
11 nonresident individual, which tax shall be computed at the option of  
12 the taxpayer under one of the two following methods:

13 1. METHOD 1.

14 a. Single individuals and married individuals filing  
15 separately not deducting federal income tax:

- 16 (1) 1/2% tax on first \$1,000.00 or part thereof,
- 17 (2) 1% tax on next \$1,500.00 or part thereof,
- 18 (3) 2% tax on next \$1,250.00 or part thereof,
- 19 (4) 3% tax on next \$1,150.00 or part thereof,
- 20 (5) 4% tax on next \$1,300.00 or part thereof,
- 21 (6) 5% tax on next \$1,500.00 or part thereof,
- 22 (7) 6% tax on next \$2,300.00 or part thereof, and

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- 1 (8) (a) for taxable years beginning after December  
2 31, 1998, and before January 1, 2002, 6.75%  
3 tax on the remainder,  
4 (b) for taxable years beginning on or after  
5 January 1, 2002, and before January 1, 2004,  
6 7% tax on the remainder, and  
7 (c) for taxable years beginning on or after  
8 January 1, 2004, 6.65% tax on the remainder.

9 b. Married individuals filing jointly and surviving  
10 spouse to the extent and in the manner that a  
11 surviving spouse is permitted to file a joint return  
12 under the provisions of the Internal Revenue Code and  
13 heads of households as defined in the Internal Revenue  
14 Code not deducting federal income tax:

- 15 (1) 1/2% tax on first \$2,000.00 or part thereof,  
16 (2) 1% tax on next \$3,000.00 or part thereof,  
17 (3) 2% tax on next \$2,500.00 or part thereof,  
18 (4) 3% tax on next \$2,300.00 or part thereof,  
19 (5) 4% tax on next \$2,400.00 or part thereof,  
20 (6) 5% tax on next \$2,800.00 or part thereof,  
21 (7) 6% tax on next \$6,000.00 or part thereof, and  
22 (8) (a) for taxable years beginning after December  
23 31, 1998, and before January 1, 2002, 6.75%  
24 tax on the remainder,

1 (b) for taxable years beginning on or after  
2 January 1, 2002, and before January 1, 2004,  
3 7% tax on the remainder, and

4 (c) for taxable years beginning on or after  
5 January 1, 2004, 6.65% tax on the remainder.

6 2. METHOD 2.

7 a. Single individuals and married individuals filing  
8 separately deducting federal income tax:

- 9 (1) 1/2% tax on first \$1,000.00 or part thereof,  
10 (2) 1% tax on next \$1,500.00 or part thereof,  
11 (3) 2% tax on next \$1,250.00 or part thereof,  
12 (4) 3% tax on next \$1,150.00 or part thereof,  
13 (5) 4% tax on next \$1,200.00 or part thereof,  
14 (6) 5% tax on next \$1,400.00 or part thereof,  
15 (7) 6% tax on next \$1,500.00 or part thereof,  
16 (8) 7% tax on next \$1,500.00 or part thereof,  
17 (9) 8% tax on next \$2,000.00 or part thereof,  
18 (10) 9% tax on next \$3,500.00 or part thereof, and  
19 (11) 10% tax on the remainder.

20 b. Married individuals filing jointly and surviving  
21 spouse to the extent and in the manner that a  
22 surviving spouse is permitted to file a joint return  
23 under the provisions of the Internal Revenue Code and  
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1 heads of households as defined in the Internal Revenue  
2 Code deducting federal income tax:

- 3 (1) 1/2% tax on the first \$2,000.00 or part thereof,
- 4 (2) 1% tax on the next \$3,000.00 or part thereof,
- 5 (3) 2% tax on the next \$2,500.00 or part thereof,
- 6 (4) 3% tax on the next \$1,400.00 or part thereof,
- 7 (5) 4% tax on the next \$1,500.00 or part thereof,
- 8 (6) 5% tax on the next \$1,600.00 or part thereof,
- 9 (7) 6% tax on the next \$1,250.00 or part thereof,
- 10 (8) 7% tax on the next \$1,750.00 or part thereof,
- 11 (9) 8% tax on the next \$3,000.00 or part thereof,
- 12 (10) 9% tax on the next \$6,000.00 or part thereof, and
- 13 (11) 10% tax on the remainder.

14 B. Individuals. For all taxable years beginning on or after  
15 January 1, 2006, a tax is hereby imposed upon the Oklahoma taxable  
16 income of every resident or nonresident individual, which tax shall  
17 be computed as follows:

18 1. Single individuals and married individuals filing  
19 separately:

- 20 (a) 1/2% tax on first \$1,000.00 or part thereof,
- 21 (b) 1% tax on next \$1,500.00 or part thereof,
- 22 (c) 2% tax on next \$1,250.00 or part thereof,
- 23 (d) 3% tax on next \$1,150.00 or part thereof,
- 24 (e) 4% tax on next \$2,300.00 or part thereof,

- 1 (f) 5% tax on next \$1,500.00 or part thereof,  
2 (g) 6.25% tax on the remainder for the 2006 tax year,  
3 (h) 5.65% tax on the remainder for the 2007 tax year,  
4 (i) 5.55% tax on the remainder for the 2008 tax year,  
5 (j) 5.50% tax on the remainder for the 2009 tax year and  
6 any subsequent tax year unless the rate prescribed by  
7 subparagraph (k) of this paragraph is in effect, and  
8 (k) 5.25% tax on the remainder for the 2010 and subsequent  
9 tax years. The decrease in the top marginal  
10 individual income tax rate otherwise authorized by  
11 this subparagraph shall be contingent upon the  
12 determination required to be made by the State Board  
13 of Equalization pursuant to Section ~~3~~ 2355.1A of this  
14 ~~act~~ title.

15 2. Married individuals filing jointly and surviving spouse to  
16 the extent and in the manner that a surviving spouse is permitted to  
17 file a joint return under the provisions of the Internal Revenue  
18 Code and heads of households as defined in the Internal Revenue  
19 Code:

- 20 (a) 1/2% tax on first \$2,000.00 or part thereof,  
21 (b) 1% tax on next \$3,000.00 or part thereof,  
22 (c) 2% tax on next \$2,500.00 or part thereof,  
23 (d) 3% tax on next \$2,300.00 or part thereof,  
24 (e) 4% tax on next \$2,400.00 or part thereof,

- 1 (f) 5% tax on next \$2,800.00 or part thereof,  
2 (g) 6.25% tax on the remainder for the 2006 tax year,  
3 (h) 5.65% tax on the remainder for the 2007 tax year,  
4 (i) 5.55% tax on the remainder for the 2008 tax year,  
5 (j) 5.50% tax on the remainder for the 2009 tax year and  
6 any subsequent tax year unless the rate prescribed by  
7 subparagraph (k) of this paragraph is in effect, and  
8 (k) 5.25% tax on the remainder for the 2010 and subsequent  
9 tax years. The decrease in the top marginal  
10 individual income tax rate otherwise authorized by  
11 this subparagraph shall be contingent upon the  
12 determination required to be made by the State Board  
13 of Equalization pursuant to Section ~~3~~ 2355.1A of this  
14 ~~act~~ title.

15 No deduction for federal income taxes paid shall be allowed to  
16 any taxpayer to arrive at taxable income.

17 C. Nonresident aliens. In lieu of the rates set forth in  
18 subsection ~~A~~ B above, there shall be imposed on nonresident aliens,  
19 as defined in the Internal Revenue Code, a tax of eight percent (8%)  
20 instead of thirty percent (30%) as used in the Internal Revenue  
21 Code, with respect to the Oklahoma taxable income of such  
22 nonresident aliens as determined under the provision of the Oklahoma  
23 Income Tax Act.

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

20        D. Corporations. For all taxable years beginning after  
21 December 31, 1989, and ending not later than December 31, 2008, a  
22 tax is hereby imposed upon the Oklahoma taxable income of every  
23 corporation doing business within this state or deriving income from  
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1 sources within this state in an amount equal to six percent (6%)  
2 thereof.

3 There shall be no additional Oklahoma income tax imposed on  
4 accumulated taxable income or on undistributed personal holding  
5 company income as those terms are defined in the Internal Revenue  
6 Code.

7 For all taxable years beginning on or after January 1, 2008, a  
8 tax is hereby imposed upon the Oklahoma taxable income of every  
9 corporation doing business within this state or deriving income from  
10 sources within the state in the following amounts:

11 1. For corporations with Oklahoma taxable income for the year  
12 of less than Ten Thousand Dollars (\$10,000.00), no tax shall be  
13 imposed;

14 2. For corporations with Oklahoma taxable income for the year  
15 of Ten Thousand Dollars (\$10,000.00) or more, but less than Fifty  
16 Thousand Dollars (\$50,000.00), the tax rate shall be one percent  
17 (1%);

18 3. For corporations with Oklahoma taxable income for the year  
19 of Fifty Thousand Dollars (\$50,000.00) or more, but less than One  
20 Hundred Thousand Dollars (\$100,000.00), the tax rate shall be two  
21 and one-half percent (2.5%);

22 4. For corporations with Oklahoma taxable income for the year  
23 of One Hundred Thousand Dollars (\$100,000.00) or more, but less than  
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1 Two Hundred Thousand Dollars (\$200,000.00), the tax rate shall be  
2 four and one-half percent (4.5%); and

3 5. For corporations with Oklahoma taxable income for the year  
4 of Two Hundred Thousand Dollars (\$200,000.00) or more, the tax rate  
5 shall be six percent (6%).

6 E. Certain foreign corporations. In lieu of the tax imposed in  
7 ~~the first paragraph~~ of subsection E D of this section, for all  
8 taxable years beginning after December 31, 1989, and before January  
9 1, 2008, there shall be imposed on foreign corporations, as defined  
10 in the Internal Revenue Code, a tax of six percent (6%) instead of  
11 thirty percent (30%) as used in the Internal Revenue Code, where  
12 such income is received from sources within Oklahoma, in accordance  
13 with the provisions of the Internal Revenue Code and the Oklahoma  
14 Income Tax Act. In lieu of the tax imposed pursuant to subsection D  
15 of this section, for all taxable years beginning on or after January  
16 1, 2008, a tax is hereby imposed upon the Oklahoma taxable income of  
17 foreign corporations, as defined in the Internal Revenue Code of  
18 1986, as amended, a tax in the following amounts, where such income  
19 is received from sources within Oklahoma, in accordance with the  
20 provisions of the Internal Revenue Code and the Oklahoma Income Tax  
21 Act:

22 1. For corporations with Oklahoma taxable income for the year  
23 of less than Ten Thousand Dollars (\$10,000.00), no tax shall be  
24 imposed;

1        2. For corporations with Oklahoma taxable income for the year  
2 of Ten Thousand Dollars (\$10,000.00) or more, but less than Fifty  
3 Thousand Dollars (\$50,000.00), the tax rate shall be one percent  
4 (1%);

5        3. For corporations with Oklahoma taxable income for the year  
6 of Fifty Thousand Dollars (\$50,000.00) or more, but less than One  
7 Hundred Thousand Dollars (\$100,000.00), the tax rate shall be two  
8 and one-half percent (2.5%);

9        4. For corporations with Oklahoma taxable income for the year  
10 of One Hundred Thousand Dollars (\$100,000.00) or more, but less than  
11 Two Hundred Thousand Dollars (\$200,000.00), the tax rate shall be  
12 four and one-half percent (4.5%); and

13        5. For corporations with Oklahoma taxable income for the year  
14 of Two Hundred Thousand Dollars (\$200,000.00) or more, the tax rate  
15 shall be six percent (6%).

16        Every payer of amounts covered by this subsection shall deduct  
17 and withhold from such amounts paid each payee an amount equal to  
18 ~~six percent (6%)~~ the applicable percentage thereof. Every payer  
19 required to deduct and withhold taxes under this subsection shall  
20 for each quarterly period on or before the last day of the month  
21 following the close of each such quarterly period, pay over the  
22 amount so withheld as taxes to the Tax Commission, and shall file a  
23 return with each such payment. Such return shall be in such form as  
24 the Tax Commission shall prescribe. Every payer required under this

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

12 F. Fiduciaries. A tax is hereby imposed upon the Oklahoma  
13 taxable income of every trust and estate at the same rates as are  
14 provided in subsection B of this section for single individuals.  
15 Fiduciaries are not allowed a deduction for any federal income tax  
16 paid.

17 G. Tax rate tables. For all taxable years beginning after  
18 December 31, 1991, in lieu of the tax imposed by subsection A or B  
19 of this section, as applicable there is hereby imposed for each  
20 taxable year on the taxable income of every individual, whose  
21 taxable income for such taxable year does not exceed the ceiling  
22 amount, a tax determined under tables, applicable to such taxable  
23 year which shall be prescribed by the Tax Commission and which shall  
24 be in such form as it determines appropriate. In the table so

1 prescribed, the amounts of the tax shall be computed on the basis of  
2 the rates prescribed by subsections A and B of this section. For  
3 purposes of this subsection, the term "ceiling amount" means, with  
4 respect to any taxpayer, the amount determined by the Tax Commission  
5 for the tax rate category in which such taxpayer falls.

6 SECTION 3. NEW LAW A new section of law to be codified  
7 in the Oklahoma Statutes as Section 2357.151 of Title 68, unless  
8 there is created a duplication in numbering, reads as follows:

9 A. As used in this section:

10 1. "Eligible employer" means a sole proprietor, partnership,  
11 corporation, limited liability company or other legally recognized  
12 business entity engaged in a lawful business activity and which has  
13 been approved by the Oklahoma State Regents for Higher Education or  
14 other governing board of an accredited college or university to  
15 engage the services of a qualified intern;

16 2. "Eligible employment" means work performed by a qualified  
17 intern for an eligible employer within the State of Oklahoma;

18 3. "Compensation" means wages or salary or other remuneration  
19 paid by an eligible employer to a qualified intern during the period  
20 of time the student has been certified by a college or university to  
21 be an intern;

22 4. "Qualified intern" means a student enrolled with a minimum  
23 of three (3) hours in regularly graded course work at an institution  
24 within The Oklahoma State System of Higher Education or any other

1 accredited college or university located within the state who is  
2 pursuing a bachelor's degree and who is considered by the applicable  
3 college or university to be either a junior or senior for academic  
4 purposes or a student pursuing any graduate-level program or  
5 professional degree; and

6 5. "Qualified internship recruiting expense" means:

7 a. advertising costs, and

8 b. travel and lodging expenses to the extent such  
9 expenses are directly related to the process for  
10 interviewing, communications and other activity, the  
11 principal purpose of which is to identify and engage  
12 the services of a qualified intern.

13 B. For taxable years beginning after December 31, 2007, there  
14 shall be allowed a credit against the tax imposed pursuant to  
15 Section 2355 of Title 68 of the Oklahoma Statutes equal to fifty  
16 percent (50%) of the compensation paid by an eligible employer to a  
17 qualified intern for eligible employment and fifty percent (50%) of  
18 internship recruiting expenses paid by an eligible employer for  
19 recruiting potential qualified interns.

20 C. The Board of Regents for The Oklahoma State System of Higher  
21 Education, in coordination with the governing board of any other  
22 accredited college or university within the state, shall develop  
23 criteria to identify and approve both eligible employers and  
24 students for internships pursuant to this section. For purposes of

1 identifying eligible students, the Board of Regents shall give  
2 consideration to the academic studies, skills or interests of the  
3 student with respect to potential service as an intern for an  
4 eligible employer. For purposes of identifying eligible employers,  
5 the Board of Regents shall give consideration to the nature of the  
6 business activity engaged in by the eligible employer and shall  
7 ensure that the nature of the business activity conducted does not  
8 pose an unreasonable threat of harm, physical or otherwise, to the  
9 intern.

10 D. Any person who serves as an intern pursuant to this section  
11 shall receive college credit for the hours worked if the student  
12 successfully completes all other class work in which the student is  
13 enrolled with a grade of C or better and the supervising professor  
14 awards a grade of C or better for the internship curricula. The  
15 Board of Regents for The Oklahoma State System of Higher Education  
16 or other governing board of an accredited college or university  
17 shall establish a policy regarding the number of hours of college  
18 credit to be awarded based upon the number of hours worked by the  
19 intern.

20 E. In no event shall the amount of the credit authorized by  
21 this section exceed the amount of any tax liability to the taxpayer.

22 F. Any credit allowed, but not used in any tax year, may be  
23 carried over, in order, to each of the five (5) succeeding taxable  
24 years.

1 G. The Oklahoma Tax Commission shall, in conjunction with the  
2 Board of Regents for The Oklahoma State System of Higher Education,  
3 promulgate rules necessary to implement this section. The Tax  
4 Commission shall be authorized to make all determinations regarding  
5 tax credits claimed pursuant to this section. The Board of Regents  
6 shall be authorized to make all determinations regarding the  
7 qualification of eligible employers and qualified interns pursuant  
8 to subsection C of this section.

9 SECTION 4. This act shall become effective January 1, 2008.

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11 51-1-7366 MAH 02/23/07

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