

SENATE CHAMBER

STATE OF OKLAHOMA

DISPOSITION BY SENATE

FLOOR AMENDMENT

No. _____

(Date)

Mr./Madame President:

I move to amend House Bill No. 2714, Page 33, Line 8½,

as follows:

By inserting a new SECTION 2 to read as per attached and by renumbering subsequent sections.

Submitted by:

Senator Sparks

Sparks-JCR-FA-HB2714A
4/8/2008 3:49 PM

1 “SECTION 2. AMENDATORY 68 O.S. 2001, Section 2358, as last amended by Section 37
2 of Enrolled Senate Bill No. 1830 of the 2nd Session of the 51st Oklahoma Legislature (68 O.S. Supp.
3 2007, Section 2358), is amended to read as follows:
4

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

8 A. The taxable income of any taxpayer shall be adjusted to arrive at Oklahoma taxable income
9 for corporations and Oklahoma adjusted gross income for individuals, as follows:
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11 1. There shall be added interest income on obligations of any state or political subdivision
12 thereto which is not otherwise exempted pursuant to other laws of this state, to the extent that such
13 interest is not included in taxable income and adjusted gross income.
14

15 2. There shall be deducted amounts included in such income that the state is prohibited from
16 taxing because of the provisions of the Federal Constitution, the State Constitution, federal laws or
17 laws of Oklahoma.
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19 3. The amount of any federal net operating loss deduction shall be adjusted as follows:
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21 a. For carryovers and carrybacks to taxable years beginning before January 1, 1981,
22 the amount of any net operating loss deduction allowed to a taxpayer for federal
23 income tax purposes shall be reduced to an amount which is the same portion
24 thereof as the loss from sources within this state, as determined pursuant to this
25 section and Section 2362 of this title, for the taxable year in which such loss is
26 sustained is of the total loss for such year;
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28 b. For carryovers and carrybacks to taxable years beginning after December 31,
29 1980, the amount of any net operating loss deduction allowed for the taxable year
30 shall be an amount equal to the aggregate of the Oklahoma net operating loss
31 carryovers and carrybacks to such year. Oklahoma net operating losses shall be
32 separately determined by reference to Section 172 of the Internal Revenue Code,
33 26 U.S.C., Section 172, as modified by the Oklahoma Income Tax Act, Section
34 2351 et seq. of this title, and shall be allowed without regard to the existence of a
35 federal net operating loss. For tax years beginning after December 31, 2000, the
36 years to which such losses may be carried shall be determined solely by reference
37 to Section 172 of the Internal Revenue Code, 26 U.S.C., Section 172, with the
38 exception that the terms "net operating loss" and "taxable income" shall be
39 replaced with "Oklahoma net operating loss" and "Oklahoma taxable income".
40

41 4. Items of the following nature shall be allocated as indicated. Allowable deductions
42 attributable to items separately allocable in subparagraphs a, b and c of this paragraph, whether or not
43 such items of income were actually received, shall be allocated on the same basis as those items:
44

45 a. Income from real and tangible personal property, such as rents, oil and mining
46 production or royalties, and gains or losses from sales of such property, shall be
47 allocated in accordance with the situs of such property;
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- b. Income from intangible personal property, such as interest, dividends, patent or copyright royalties, and gains or losses from sales of such property, shall be allocated in accordance with the domiciliary situs of the taxpayer, except that:
 - (1) where such property has acquired a nonunitary business or commercial situs apart from the domicile of the taxpayer such income shall be allocated in accordance with such business or commercial situs; interest income from investments held to generate working capital for a unitary business enterprise shall be included in apportionable income; a resident trust or resident estate shall be treated as having a separate commercial or business situs insofar as undistributed income is concerned, but shall not be treated as having a separate commercial or business situs insofar as distributed income is concerned,
 - (2) for taxable years beginning after December 31, 2003, capital or ordinary gains or losses from the sale of an ownership interest in a publicly traded partnership, as defined by Section 7704(b) of the Internal Revenue Code of 1986, as amended, shall be allocated to this state in the ratio of the original cost of such partnership's tangible property in this state to the original cost of such partnership's tangible property everywhere, as determined at the time of the sale; if more than fifty percent (50%) of the value of the partnership's assets consists of intangible assets, capital or ordinary gains or losses from the sale of an ownership interest in the partnership shall be allocated to this state in accordance with the sales factor of the partnership for its first full tax period immediately preceding its tax period during which the ownership interest in the partnership was sold; the provisions of this division shall only apply if the capital or ordinary gains or losses from the sale of an ownership interest in a partnership do not constitute qualifying gain receiving capital treatment as defined in subparagraph a of paragraph 2 of subsection F of this section,
 - (3) income from such property which is required to be allocated pursuant to the provisions of paragraph 5 of this subsection shall be allocated as herein provided;
- c. Net income or loss from a business activity which is not a part of business carried on within or without the state of a unitary character shall be separately allocated to the state in which such activity is conducted;
- d. In the case of a manufacturing or processing enterprise the business of which in Oklahoma consists solely of marketing its products by:
 - (1) sales having a situs without this state, shipped directly to a point from without the state to a purchaser within the state, commonly known as interstate sales,

- 1 (2) sales of the product stored in public warehouses within the state pursuant
2 to "in transit" tariffs, as prescribed and allowed by the Interstate
3 Commerce Commission, to a purchaser within the state,
4
5 (3) sales of the product stored in public warehouses within the state where the
6 shipment to such warehouses is not covered by "in transit" tariffs, as
7 prescribed and allowed by the Interstate Commerce Commission, to a
8 purchaser within or without the state,
9

10 the Oklahoma net income shall, at the option of the taxpayer, be that portion of
11 the total net income of the taxpayer for federal income tax purposes derived from
12 the manufacture and/or processing and sales everywhere as determined by the
13 ratio of the sales defined in this section made to the purchaser within the state to
14 the total sales everywhere. The term "public warehouse" as used in this
15 subparagraph means a licensed public warehouse, the principal business of which
16 is warehousing merchandise for the public;
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18 e. In the case of insurance companies, Oklahoma taxable income shall be taxable
19 income of the taxpayer for federal tax purposes, as adjusted for the adjustments
20 provided pursuant to the provisions of paragraphs 1 and 2 of this subsection,
21 apportioned as follows:
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- 23 (1) except as otherwise provided by division (2) of this subparagraph, taxable
24 income of an insurance company for a taxable year shall be apportioned to
25 this state by multiplying such income by a fraction, the numerator of
26 which is the direct premiums written for insurance on property or risks in
27 this state, and the denominator of which is the direct premiums written for
28 insurance on property or risks everywhere. For purposes of this
29 subsection, the term "direct premiums written" means the total amount of
30 direct premiums written, assessments and annuity considerations as
31 reported for the taxable year on the annual statement filed by the company
32 with the Insurance Commissioner in the form approved by the National
33 Association of Insurance Commissioners, or such other form as may be
34 prescribed in lieu thereof,
35
36 (2) if the principal source of premiums written by an insurance company
37 consists of premiums for reinsurance accepted by it, the taxable income of
38 such company shall be apportioned to this state by multiplying such
39 income by a fraction, the numerator of which is the sum of (a) direct
40 premiums written for insurance on property or risks in this state, plus (b)
41 premiums written for reinsurance accepted in respect of property or risks
42 in this state, and the denominator of which is the sum of (c) direct
43 premiums written for insurance on property or risks everywhere, plus (d)
44 premiums written for reinsurance accepted in respect of property or risks
45 everywhere. For purposes of this paragraph, premiums written for
46 reinsurance accepted in respect of property or risks in this state, whether
47 or not otherwise determinable, may at the election of the company be
48 determined on the basis of the proportion which premiums written for

1 insurance accepted from companies commercially domiciled in Oklahoma
2 bears to premiums written for reinsurance accepted from all sources, or
3 alternatively in the proportion which the sum of the direct premiums
4 written for insurance on property or risks in this state by each ceding
5 company from which reinsurance is accepted bears to the sum of the total
6 direct premiums written by each such ceding company for the taxable
7 year.
8

9 5. The net income or loss remaining after the separate allocation in paragraph 4 of this
10 subsection, being that which is derived from a unitary business enterprise, shall be apportioned to this
11 state on the basis of the arithmetical average of three factors consisting of property, payroll and sales
12 or gross revenue enumerated as subparagraphs a, b and c of this paragraph. Net income or loss as used
13 in this paragraph includes that derived from patent or copyright royalties, purchase discounts, and
14 interest on accounts receivable relating to or arising from a business activity, the income from which is
15 apportioned pursuant to this subsection, including the sale or other disposition of such property and
16 any other property used in the unitary enterprise. Deductions used in computing such net income or
17 loss shall not include taxes based on or measured by income. Provided, for corporations whose
18 property for purposes of the tax imposed by Section 2355 of this title has an initial investment cost
19 equaling or exceeding Two Hundred Million Dollars (\$200,000,000.00) and such investment is made
20 on or after July 1, 1997, or for corporations which expand their property or facilities in this state and
21 such expansion has an investment cost equaling or exceeding Two Hundred Million Dollars
22 (\$200,000,000.00) over a period not to exceed three (3) years, and such expansion is commenced on or
23 after January 1, 2000, the three factors shall be apportioned with property and payroll, each comprising
24 twenty-five percent (25%) of the apportionment factor and sales comprising fifty percent (50%) of the
25 apportionment factor. The apportionment factors shall be computed as follows:
26

- 27 a. The property factor is a fraction, the numerator of which is the average value of
28 the taxpayer's real and tangible personal property owned or rented and used in this
29 state during the tax period and the denominator of which is the average value of
30 all the taxpayer's real and tangible personal property everywhere owned or rented
31 and used during the tax period.
32
- 33 (1) Property, the income from which is separately allocated in paragraph 4 of
34 this subsection, shall not be included in determining this fraction. The
35 numerator of the fraction shall include a portion of the investment in
36 transportation and other equipment having no fixed situs, such as rolling
37 stock, buses, trucks and trailers, including machinery and equipment
38 carried thereon, airplanes, salespersons' automobiles and other similar
39 equipment, in the proportion that miles traveled in Oklahoma by such
40 equipment bears to total miles traveled,
41
- 42 (2) Property owned by the taxpayer is valued at its original cost. Property
43 rented by the taxpayer is valued at eight times the net annual rental rate.
44 Net annual rental rate is the annual rental rate paid by the taxpayer, less
45 any annual rental rate received by the taxpayer from subrentals,
46
- 47 (3) The average value of property shall be determined by averaging the values
48 at the beginning and ending of the tax period but the Oklahoma Tax

1 Commission may require the averaging of monthly values during the tax
2 period if reasonably required to reflect properly the average value of the
3 taxpayer's property;
4

- 5 b. The payroll factor is a fraction, the numerator of which is the total compensation
6 for services rendered in the state during the tax period, and the denominator of
7 which is the total compensation for services rendered everywhere during the tax
8 period. "Compensation", as used in this subsection means those paid-for services
9 to the extent related to the unitary business but does not include officers' salaries,
10 wages and other compensation.
11
- 12 (1) In the case of a transportation enterprise, the numerator of the fraction
13 shall include a portion of such expenditure in connection with employees
14 operating equipment over a fixed route, such as railroad employees, airline
15 pilots, or bus drivers, in this state only a part of the time, in the proportion
16 that mileage traveled in Oklahoma bears to total mileage traveled by such
17 employees,
18
- 19 (2) In any case the numerator of the fraction shall include a portion of such
20 expenditures in connection with itinerant employees, such as traveling
21 salespersons, in this state only a part of the time, in the proportion that
22 time spent in Oklahoma bears to total time spent in furtherance of the
23 enterprise by such employees;
24
- 25 c. The sales factor is a fraction, the numerator of which is the total sales or gross
26 revenue of the taxpayer in this state during the tax period, and the denominator of
27 which is the total sales or gross revenue of the taxpayer everywhere during the tax
28 period. "Sales", as used in this subsection does not include sales or gross revenue
29 which are separately allocated in paragraph 4 of this subsection.
30
- 31 (1) Sales of tangible personal property have a situs in this state if the property
32 is delivered or shipped to a purchaser other than the United States
33 government, within this state regardless of the FOB point or other
34 conditions of the sale; or the property is shipped from an office, store,
35 warehouse, factory or other place of storage in this state and (a) the
36 purchaser is the United States government or (b) the taxpayer is not doing
37 business in the state of the destination of the shipment.
38
- 39 (2) In the case of a railroad or interurban railway enterprise, the numerator of
40 the fraction shall not be less than the allocation of revenues to this state as
41 shown in its annual report to the Corporation Commission.
42
- 43 (3) In the case of an airline, truck or bus enterprise or freight car, tank car,
44 refrigerator car or other railroad equipment enterprise, the numerator of
45 the fraction shall include a portion of revenue from interstate
46 transportation in the proportion that interstate mileage traveled in
47 Oklahoma bears to total interstate mileage traveled.
48

- 1 (4) In the case of an oil, gasoline or gas pipeline enterprise, the numerator of
2 the fraction shall be either the total of traffic units of the enterprise within
3 Oklahoma or the revenue allocated to Oklahoma based upon miles moved,
4 at the option of the taxpayer, and the denominator of which shall be the
5 total of traffic units of the enterprise or the revenue of the enterprise
6 everywhere as appropriate to the numerator. A "traffic unit" is hereby
7 defined as the transportation for a distance of one (1) mile of one (1)
8 barrel of oil, one (1) gallon of gasoline or one thousand (1,000) cubic feet
9 of natural or casinghead gas, as the case may be.
10
- 11 (5) In the case of a telephone or telegraph or other communication enterprise,
12 the numerator of the fraction shall include that portion of the interstate
13 revenue as is allocated pursuant to the accounting procedures prescribed
14 by the Federal Communications Commission; provided that in respect to
15 each corporation or business entity required by the Federal
16 Communications Commission to keep its books and records in accordance
17 with a uniform system of accounts prescribed by such Commission, the
18 intrastate net income shall be determined separately in the manner
19 provided by such uniform system of accounts and only the interstate
20 income shall be subject to allocation pursuant to the provisions of this
21 subsection. Provided further, that the gross revenue factors shall be those
22 as are determined pursuant to the accounting procedures prescribed by the
23 Federal Communications Commission.
24

25 In any case where the apportionment of the three factors prescribed in this paragraph attributes to
26 Oklahoma a portion of net income of the enterprise out of all appropriate proportion to the property
27 owned and/or business transacted within this state, because of the fact that one or more of the factors
28 so prescribed are not employed to any appreciable extent in furtherance of the enterprise; or because
29 one or more factors not so prescribed are employed to a considerable extent in furtherance of the
30 enterprise; or because of other reasons, the Tax Commission is empowered to permit, after a showing
31 by taxpayer that an excessive portion of net income has been attributed to Oklahoma, or require, when
32 in its judgment an insufficient portion of net income has been attributed to Oklahoma, the elimination,
33 substitution, or use of additional factors, or reduction or increase in the weight of such prescribed
34 factors. Provided, however, that any such variance from such prescribed factors which has the effect
35 of increasing the portion of net income attributable to Oklahoma must not be inherently arbitrary, and
36 application of the recomputed final apportionment to the net income of the enterprise must attribute to
37 Oklahoma only a reasonable portion thereof.
38

39 6. For calendar years 1997 and 1998, the owner of a new or expanded agricultural commodity
40 processing facility in this state may exclude from Oklahoma taxable income, or in the case of an
41 individual, the Oklahoma adjusted gross income, fifteen percent (15%) of the investment by the owner
42 in the new or expanded agricultural commodity processing facility. For calendar year 1999, and all
43 subsequent years, the percentage, not to exceed fifteen percent (15%), available to the owner of a new
44 or expanded agricultural commodity processing facility in this state claiming the exemption shall be
45 adjusted annually so that the total estimated reduction in tax liability does not exceed One Million
46 Dollars (\$1,000,000.00) annually. The Tax Commission shall promulgate rules for determining the
47 percentage of the investment which each eligible taxpayer may exclude. The exclusion provided by
48 this paragraph shall be taken in the taxable year when the investment is made. In the event the total

1 reduction in tax liability authorized by this paragraph exceeds One Million Dollars (\$1,000,000.00) in
2 any calendar year, the Tax Commission shall permit any excess over One Million Dollars
3 (\$1,000,000.00) and shall factor such excess into the percentage for subsequent years. Any amount of
4 the exemption permitted to be excluded pursuant to the provisions of this paragraph but not used in
5 any year may be carried forward as an exemption from income pursuant to the provisions of this
6 paragraph for a period not exceeding six (6) years following the year in which the investment was
7 originally made.

8
9 For purposes of this paragraph:

- 10
11 a. "Agricultural commodity processing facility" means building, structures, fixtures
12 and improvements used or operated primarily for the processing or production of
13 marketable products from agricultural commodities. The term shall also mean a
14 dairy operation that requires a depreciable investment of at least Two Hundred
15 Fifty Thousand Dollars (\$250,000.00) and which produces milk from dairy cows.
16 The term does not include a facility that provides only, and nothing more than,
17 storage, cleaning, drying or transportation of agricultural commodities, and
18
19 b. "Facility" means each part of the facility which is used in a process primarily for:
20
21 (1) the processing of agricultural commodities, including receiving or storing
22 agricultural commodities, or the production of milk at a dairy operation,
23
24 (2) transporting the agricultural commodities or product before, during or
25 after the processing, or
26
27 (3) packaging or otherwise preparing the product for sale or shipment.

28
29 7. Despite any provision to the contrary in paragraph 3 of this subsection, for taxable years
30 beginning after December 31, 1999, in the case of a taxpayer which has a farming loss, such farming
31 loss shall be considered a net operating loss carryback in accordance with and to the extent of the
32 Internal Revenue Code, 26 U.S.C., Section 172(b)(G). However, the amount of the net operating loss
33 carryback shall not exceed the lesser of:

- 34
35 a. Sixty Thousand Dollars (\$60,000.00), or
36
37 b. the loss properly shown on Schedule F of the Internal Revenue Service Form
38 1040 reduced by one-half (1/2) of the income from all other sources other than
39 reflected on Schedule F.
40

41 8. In taxable years beginning after December 31, 1995, all qualified wages equal to the federal
42 income tax credit set forth in 26 U.S.C.A., Section 45A, shall be deducted from taxable income. The
43 deduction allowed pursuant to this paragraph shall only be permitted for the tax years in which the
44 federal tax credit pursuant to 26 U.S.C.A., Section 45A, is allowed. For purposes of this paragraph,
45 "qualified wages" means those wages used to calculate the federal credit pursuant to 26 U.S.C.A.,
46 Section 45A.
47

1 9. In taxable years beginning after December 31, 2005, an employer that is eligible for and
2 utilizes the Safety Pays OSHA Consultation Service provided by the Oklahoma Department of Labor
3 shall receive an exemption from taxable income in the amount of One Thousand Dollars (\$1,000.00)
4 for the tax year that the service is utilized.
5

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

19 Notwithstanding any other provisions of the Oklahoma Income Tax Act, Section 2351 et seq. of
20 this title, or of the Internal Revenue Code to the contrary, this subsection shall control calculation of
21 depreciation of assets placed into service after December 31, 1981, and before January 1, 1983.
22

23 For assets placed in service and held by a corporation in which accelerated cost recovery system
24 was previously disallowed, an adjustment to taxable income is required in the first taxable year
25 beginning after December 31, 1982, to reconcile the basis of such assets to the basis allowed in the
26 Internal Revenue Code. The purpose of this adjustment is to equalize the basis and allowance for
27 depreciation accounts between that reported to the Internal Revenue Service and that reported to
28 Oklahoma.
29

30 C. 1. For taxable years beginning after December 31, 1987, the taxable income of any
31 corporation shall be further adjusted to arrive at Oklahoma taxable income for transfers of technology
32 to qualified small businesses located in Oklahoma. Such transferor corporation shall be allowed an
33 exemption from taxable income of an amount equal to the amount of royalty payment received as a
34 result of such transfer; provided, however, such amount shall not exceed ten percent (10%) of the
35 amount of gross proceeds received by such transferor corporation as a result of the technology transfer.
36 Such exemption shall be allowed for a period not to exceed ten (10) years from the date of receipt of
37 the first royalty payment accruing from such transfer. No exemption may be claimed for transfers of
38 technology to qualified small businesses made prior to January 1, 1988.
39

40 2. For purposes of this subsection:

41 a. "Qualified small business" means an entity, whether organized as a corporation,
42 partnership, or proprietorship, organized for profit with its principal place of
43 business located within this state and which meets the following criteria:
44

45 (1) Capitalization of not more than Two Hundred Fifty Thousand Dollars
46 (\$250,000.00),
47
48

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

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

5
6 b. "Technology" means a proprietary process, formula, pattern, device or
7 compilation of scientific or technical information which is not in the public
8 domain;

9
10 c. "Transferor corporation" means a corporation which is the exclusive and
11 undisputed owner of the technology at the time the transfer is made; and

12
13 d. "Gross proceeds" means the total amount of consideration for the transfer of
14 technology, whether the consideration is in money or otherwise.
15

16 D. 1. For taxable years beginning after December 31, 2005, the taxable income of any
17 corporation, estate or trust, shall be further adjusted for qualifying gains receiving capital treatment.
18 Such corporations, estates or trusts shall be allowed a deduction from Oklahoma taxable income for
19 the amount of qualifying gains receiving capital treatment earned by the corporation, estate or trust
20 during the taxable year and included in the federal taxable income of such corporation, estate or trust.
21

22 2. As used in this subsection:

23
24 a. "qualifying gains receiving capital treatment" means the amount of net capital
25 gains, as defined in Section 1222(11) of the Internal Revenue Code, included in
26 the federal income tax return of the corporation, estate or trust that result from:

27
28 (1) the sale of real property or tangible personal property located within
29 Oklahoma that has been directly or indirectly owned by the corporation,
30 estate or trust for a holding period of at least five (5) years prior to the date
31 of the transaction from which such net capital gains arise,

32
33 (2) the sale of stock or on the sale of an ownership interest in an Oklahoma
34 company, limited liability company, or partnership where such stock or
35 ownership interest has been directly or indirectly owned by the
36 corporation, estate or trust for a holding period of at least three (3) years
37 prior to the date of the transaction from which the net capital gains arise,
38 or

39
40 (3) the sale of real property, tangible personal property or intangible personal
41 property located within Oklahoma as part of the sale of all or substantially
42 all of the assets of an Oklahoma company, limited liability company, or
43 partnership where such property has been directly or indirectly owned by
44 such entity owned by the owners of such entity, and used in or derived
45 from such entity for a period of at least three (3) years prior to the date of
46 the transaction from which the net capital gains arise,
47

- 1 b. "holding period" means an uninterrupted period of time. The holding period shall
2 include any additional period when the property was held by another individual or
3 entity, if such additional period is included in the taxpayer's holding period for
4 the asset pursuant to the Internal Revenue Code,
5
6 c. "Oklahoma company", "limited liability company", or "partnership" means an
7 entity whose primary headquarters have been located in Oklahoma for at least
8 three (3) uninterrupted years prior to the date of the transaction from which the
9 net capital gains arise,
10
11 d. "direct" means the taxpayer directly owns the asset, and
12
13 e. "indirect" means the taxpayer owns an interest in a pass-through entity (or chain
14 of pass-through entities) that sells the asset that gives rise to the qualifying gains
15 receiving capital treatment.
16
17 (1) With respect to sales of real property or tangible personal property located
18 within Oklahoma, the deduction described in this subsection shall not
19 apply unless the pass-through entity that makes the sale has held the
20 property for not less than five (5) uninterrupted years prior to the date of
21 the transaction that created the capital gain, and each pass-through entity
22 included in the chain of ownership has been a member, partner, or
23 shareholder of the pass-through entity in the tier immediately below it for
24 an uninterrupted period of not less than five (5) years.
25
26 (2) With respect to sales of stock or ownership interest in or sales of all or
27 substantially all of the assets of an Oklahoma company, limited liability
28 company, or partnership, the deduction described in this subsection shall
29 not apply unless the pass-through entity that makes the sale has held the
30 stock or ownership interest or the assets for not less than three (3)
31 uninterrupted years prior to the date of the transaction that created the
32 capital gain, and each pass-through entity included in the chain of
33 ownership has been a member, partner or shareholder of the pass-through
34 entity in the tier immediately below it for an uninterrupted period of not
35 less than three (3) years.
36

37 E. The Oklahoma adjusted gross income of any individual taxpayer shall be further adjusted as
38 follows to arrive at Oklahoma taxable income:
39

- 40 1. a. In the case of individuals, there shall be added or deducted, as the case may be,
41 the difference necessary to allow personal exemptions of One Thousand Dollars
42 (\$1,000.00) in lieu of the personal exemptions allowed by the Internal Revenue
43 Code.
44
45 b. There shall be allowed an additional exemption of One Thousand Dollars
46 (\$1,000.00) for each taxpayer or spouse who is blind at the close of the tax year.
47 For purposes of this subparagraph, an individual is blind only if the central visual
48 acuity of the individual does not exceed 20/200 in the better eye with correcting

1 lenses, or if the visual acuity of the individual is greater than 20/200, but is
2 accompanied by a limitation in the fields of vision such that the widest diameter
3 of the visual field subtends an angle no greater than twenty (20) degrees.
4

- 5 c. There shall be allowed an additional exemption of One Thousand Dollars
6 (\$1,000.00) for each taxpayer or spouse who is sixty-five (65) years of age or
7 older at the close of the tax year based upon the filing status and federal adjusted
8 gross income of the taxpayer. Taxpayers with the following filing status may
9 claim this exemption if the federal adjusted gross income does not exceed:
10
- 11 (1) Twenty-five Thousand Dollars (\$25,000.00) if married and filing jointly;
 - 12 (2) Twelve Thousand Five Hundred Dollars (\$12,500.00) if married and filing
13 separately;
 - 14 (3) Fifteen Thousand Dollars (\$15,000.00) if single; and
 - 15 (4) Nineteen Thousand Dollars (\$19,000.00) if a qualifying head of
16 household.
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21 Provided, for taxable years beginning after December 31, 1999, amounts included
22 in the calculation of federal adjusted gross income pursuant to the conversion of a
23 traditional individual retirement account to a Roth individual retirement account
24 shall be excluded from federal adjusted gross income for purposes of the income
25 thresholds provided in this subparagraph.
26

- 27 d. For taxable years beginning after December 31, 1990, and beginning before
28 January 1, 1992, there shall be allowed a one-time additional exemption of Four
29 Hundred Dollars (\$400.00) for each taxpayer or spouse who is a member of the
30 National Guard or any reserve unit of the Armed Forces of the United States and
31 who was at any time during such taxable year deployed in active service during a
32 time of war or conflict with an enemy of the United States.
33
- 34 2. a. For taxable years beginning on or before December 31, 2005, in the case of
35 individuals who use the standard deduction in determining taxable income, there
36 shall be added or deducted, as the case may be, the difference necessary to allow a
37 standard deduction in lieu of the standard deduction allowed by the Internal
38 Revenue Code, in an amount equal to the larger of fifteen percent (15%) of the
39 Oklahoma adjusted gross income or One Thousand Dollars (\$1,000.00), but not to
40 exceed Two Thousand Dollars (\$2,000.00), except that in the case of a married
41 individual filing a separate return such deduction shall be the larger of fifteen
42 percent (15%) of such Oklahoma adjusted gross income or Five Hundred Dollars
43 (\$500.00), but not to exceed the maximum amount of One Thousand Dollars
44 (\$1,000.00),
45
- 46 b. For taxable years beginning on or after January 1, 2006, and before January 1,
47 2007, in the case of individuals who use the standard deduction in determining
48 taxable income, there shall be added or deducted, as the case may be, the

1 difference necessary to allow a standard deduction in lieu of the standard
2 deduction allowed by the Internal Revenue Code, in an amount equal to:

- 3
4 (1) Three Thousand Dollars (\$3,000.00), if the filing status is married filing
5 joint, head of household or qualifying widow; or
6
7 (2) Two Thousand Dollars (\$2,000.00), if the filing status is single or married
8 filing separate.
9

10 c. For the taxable year beginning on January 1, 2007, and ending December 31,
11 2007, in the case of individuals who use the standard deduction in determining
12 taxable income, there shall be added or deducted, as the case may be, the
13 difference necessary to allow a standard deduction in lieu of the standard
14 deduction allowed by the Internal Revenue Code, in an amount equal to:

- 15
16 (1) Five Thousand Five Hundred Dollars (\$5,500.00), if the filing status is
17 married filing joint or qualifying widow; or
18
19 (2) Four Thousand One Hundred Twenty-five Dollars (\$4,125.00) for a head
20 of household; or
21
22 (3) Two Thousand Seven Hundred Fifty Dollars (\$2,750.00), if the filing
23 status is single or married filing separate.
24

25 d. For the taxable year beginning on January 1, 2008, and ending December 31,
26 2008, in the case of individuals who use the standard deduction in determining
27 taxable income, there shall be added or deducted, as the case may be, the
28 difference necessary to allow a standard deduction in lieu of the standard
29 deduction allowed by the Internal Revenue Code, in an amount equal to:

- 30
31 (1) Six Thousand Five Hundred Dollars (\$6,500.00), if the filing status is
32 married filing joint or qualifying widow, or
33
34 (2) Four Thousand Eight Hundred Seventy-five Dollars (\$4,875.00) for a head
35 of household, or
36
37 (3) Three Thousand Two Hundred Fifty Dollars (\$3,250.00), if the filing
38 status is single or married filing separate.
39

40 e. For the taxable year beginning on January 1, 2009, and ending December 31,
41 2009, in the case of individuals who use the standard deduction in determining
42 taxable income, there shall be added or deducted, as the case may be, the
43 difference necessary to allow a standard deduction in lieu of the standard
44 deduction allowed by the Internal Revenue Code, in an amount equal to:

- 45
46 (1) Eight Thousand Five Hundred Dollars (\$8,500.00), if the filing status is
47 married filing joint or qualifying widow, or
48

1 (2) Six Thousand Three Hundred Seventy-five Dollars (\$6,375.00) for a head
2 of household, or

3
4 (3) Four Thousand Two Hundred Fifty Dollars (\$4,250.00), if the filing status
5 is single or married filing separate.
6

7 f. For taxable years beginning on or after January 1, 2010, in the case of individuals
8 who use the standard deduction in determining taxable income, there shall be
9 added or deducted, as the case may be, the difference necessary to allow a
10 standard deduction equal to the standard deduction allowed by the Internal
11 Revenue Code of 1986, as amended, based upon the amount and filing status
12 prescribed by such Code for purposes of filing federal individual income tax
13 returns.
14

15 3. In the case of resident and part-year resident individuals having adjusted gross income from
16 sources both within and without the state, the itemized or standard deductions and personal exemptions
17 shall be reduced to an amount which is the same portion of the total thereof as Oklahoma adjusted
18 gross income is of adjusted gross income. To the extent itemized deductions include allowable
19 moving expense, proration of moving expense shall not be required or permitted but allowable moving
20 expense shall be fully deductible for those taxpayers moving within or into Oklahoma and no part of
21 moving expense shall be deductible for those taxpayers moving without or out of Oklahoma. All other
22 itemized or standard deductions and personal exemptions shall be subject to proration as provided by
23 law.
24

25 4. A resident individual with a physical disability constituting a substantial handicap to
26 employment may deduct from Oklahoma adjusted gross income such expenditures to modify a motor
27 vehicle, home or workplace as are necessary to compensate for his or her handicap. A veteran certified
28 by the Veterans Administration of the federal government as having a service-connected disability
29 shall be conclusively presumed to be an individual with a physical disability constituting a substantial
30 handicap to employment. The Tax Commission shall promulgate rules containing a list of
31 combinations of common disabilities and modifications which may be presumed to qualify for this
32 deduction. The Tax Commission shall prescribe necessary requirements for verification.
33

34 5. In any taxable year the first One Thousand Five Hundred Dollars (\$1,500.00) received by any
35 person from the United States as salary or compensation in any form, other than retirement benefits, as
36 a member of any component of the Armed Forces of the United States shall be deducted from taxable
37 income. Whenever the filing of a timely income tax return by a member of the Armed Forces of the
38 United States is made impracticable or impossible of accomplishment by reason of:
39

- 40 a. absence from the United States, which term includes only the states and the
41 District of Columbia;
42
43 b. absence from the State of Oklahoma while on active duty; or
44
45 c. confinement in a hospital within the United States for treatment of wounds,
46 injuries or disease,
47

1 the time for filing a return and paying an income tax shall be and is hereby extended
2 without incurring liability for interest or penalties, to the fifteenth day of the third month
3 following the month in which:
4

5 (1) Such individual shall return to the United States if the extension is granted
6 pursuant to subparagraph a of this paragraph, return to the State of
7 Oklahoma if the extension is granted pursuant to subparagraph b of this
8 paragraph or be discharged from such hospital if the extension is granted
9 pursuant to subparagraph c of this paragraph; or
10

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

13 Provided, that the Tax Commission may, in its discretion, grant any member of the Armed Forces of
14 the United States an extension of time for filing of income tax returns and payment of income tax
15 without incurring liabilities for interest or penalties. Such extension may be granted only when in the
16 judgment of the Tax Commission a good cause exists therefor and may be for a period in excess of six
17 (6) months. A record of every such extension granted, and the reason therefor, shall be kept.
18

19 6. The salary or any other form of compensation, received from the United States by a member
20 of any component of the Armed Forces of the United States, shall be deducted from taxable income
21 during the time in which the person is detained by the enemy in a conflict, is a prisoner of war or is
22 missing in action and not deceased.
23

24 7. Notwithstanding anything in the Internal Revenue Code or in the Oklahoma Income Tax Act
25 to the contrary, it is expressly provided that, in the case of resident individuals, amounts received as
26 dividends or distributions of earnings from savings and loan associations or credit unions located in
27 Oklahoma, and interest received on savings accounts and time deposits from such sources or from state
28 and national banks or trust companies located in Oklahoma, shall qualify as dividends for the purpose
29 of the dividend exclusion, and taxable income shall be adjusted accordingly to arrive at Oklahoma
30 taxable income; provided, however, that the dividend, distribution of earnings and/or interest exclusion
31 provided for hereinabove shall not be cumulative to the maximum dividend exclusion allowed by the
32 Internal Revenue Code. Any dividend exclusion already allowed by the Internal Revenue Code and
33 reflected in the taxpayer's Oklahoma taxable income together with exclusion allowed herein shall not
34 exceed the total of One Hundred Dollars (\$100.00) per individual or Two Hundred Dollars (\$200.00)
35 per couple filing a joint return.
36

- 37 8. a. An individual taxpayer, whether resident or nonresident, may deduct an amount
38 equal to the federal income taxes paid by the taxpayer during the taxable year.
39
- 40 b. Federal taxes as described in subparagraph a of this paragraph shall be deductible
41 by any individual taxpayer, whether resident or nonresident, only to the extent
42 they relate to income subject to taxation pursuant to the provisions of the
43 Oklahoma Income Tax Act. The maximum amount allowable in the preceding
44 paragraph shall be prorated on the ratio of the Oklahoma adjusted gross income to
45 federal adjusted gross income.
46
- 47 c. For the purpose of this paragraph, "federal income taxes paid" shall mean federal
48 income taxes, surtaxes imposed on incomes or excess profits taxes, as though the

1 taxpayer was on the accrual basis. In determining the amount of deduction for
2 federal income taxes for tax year 2001, the amount of the deduction shall not be
3 adjusted by the amount of any accelerated ten percent (10%) tax rate bracket
4 credit or advanced refund of the credit received during the tax year provided
5 pursuant to the federal Economic Growth and Tax Relief Reconciliation Act of
6 2001, P.L. No. 107-16, and the advanced refund of such credit shall not be subject
7 to taxation.
8

- 9 d. The provisions of this paragraph shall apply to all taxable years ending after
10 December 31, 1978, and beginning before January 1, 2006.
11

12 9. Retirement benefits not to exceed Five Thousand Five Hundred Dollars (\$5,500.00) for the
13 2004 tax year, Seven Thousand Five Hundred Dollars (\$7,500.00) for the 2005 tax year and Ten
14 Thousand Dollars (\$10,000.00) for the 2006 tax year and all subsequent tax years, which are received
15 by an individual from the civil service of the United States, the Oklahoma Public Employees
16 Retirement System, the Teachers' Retirement System of Oklahoma, the Oklahoma Law Enforcement
17 Retirement System, the Oklahoma Firefighters Pension and Retirement System, the Oklahoma Police
18 Pension and Retirement System, the employee retirement systems created by counties pursuant to
19 Section 951 et seq. of Title 19 of the Oklahoma Statutes, the Uniform Retirement System for Justices
20 and Judges, the Oklahoma Wildlife Conservation Department Retirement Fund, the Oklahoma
21 Employment Security Commission Retirement Plan, or the employee retirement systems created by
22 municipalities pursuant to Section 48-101 et seq. of Title 11 of the Oklahoma Statutes shall be exempt
23 from taxable income.

24 10. In taxable years beginning after December 31, 1984, Social Security benefits received by an
25 individual shall be exempt from taxable income, to the extent such benefits are included in the federal
26 adjusted gross income pursuant to the provisions of Section 86 of the Internal Revenue Code, 26
27 U.S.C., Section 86.
28

29 11. For taxable years beginning after December 31, 1994, lump-sum distributions from
30 employer plans of deferred compensation, which are not qualified plans within the meaning of Section
31 401(a) of the Internal Revenue Code, 26 U.S.C., Section 401(a), and which are deposited in and
32 accounted for within a separate bank account or brokerage account in a financial institution within this
33 state, shall be excluded from taxable income in the same manner as a qualifying rollover contribution
34 to an individual retirement account within the meaning of Section 408 of the Internal Revenue Code,
35 26 U.S.C., Section 408. Amounts withdrawn from such bank or brokerage account, including any
36 earnings thereon, shall be included in taxable income when withdrawn in the same manner as
37 withdrawals from individual retirement accounts within the meaning of Section 408 of the Internal
38 Revenue Code.
39

40 12. In taxable years beginning after December 31, 1995, contributions made to and interest
41 received from a medical savings account established pursuant to Sections 2621 through 2623 of Title
42 63 of the Oklahoma Statutes shall be exempt from taxable income.
43

44 13. For taxable years beginning after December 31, 1996, the Oklahoma adjusted gross income
45 of any individual taxpayer who is a swine or poultry producer may be further adjusted for the
46 deduction for depreciation allowed for new construction or expansion costs which may be computed
47 using the same depreciation method elected for federal income tax purposes except that the useful life
48 shall be seven (7) years for purposes of this paragraph. If depreciation is allowed as a deduction in

1 determining the adjusted gross income of an individual, any depreciation calculated and claimed
2 pursuant to this section shall in no event be a duplication of any depreciation allowed or permitted on
3 the federal income tax return of the individual.
4

- 5 14. a. In taxable years beginning after December 31, 2002, nonrecurring adoption
6 expenses paid by a resident individual taxpayer in connection with:
7 (1) the adoption of a minor, or
8
9 (2) a proposed adoption of a minor which did not result in a decreed adoption,
10
11 may be deducted from the Oklahoma adjusted gross income.
12
13 b. The deductions for adoptions and proposed adoptions authorized by this
14 paragraph shall not exceed Twenty Thousand Dollars (\$20,000.00) per calendar
15 year.
16
17 c. The Tax Commission shall promulgate rules to implement the provisions of this
18 paragraph which shall contain a specific list of nonrecurring adoption expenses
19 which may be presumed to qualify for the deduction. The Tax Commission shall
20 prescribe necessary requirements for verification.
21
22 d. "Nonrecurring adoption expenses" means adoption fees, court costs, medical
23 expenses, attorney fees and expenses which are directly related to the legal
24 process of adoption of a child including, but not limited to, costs relating to the
25 adoption study, health and psychological examinations, transportation and
26 reasonable costs of lodging and food for the child or adoptive parents which are
27 incurred to complete the adoption process and are not reimbursed by other
28 sources. The term "nonrecurring adoption expenses" shall not include attorney
29 fees incurred for the purpose of litigating a contested adoption, from and after the
30 point of the initiation of the contest, costs associated with physical remodeling,
31 renovation and alteration of the adoptive parents' home or property, except for a
32 special needs child as authorized by the court.
33
- 34 15. a. In taxable years beginning before January 1, 2005, retirement benefits not to
35 exceed the amounts specified in this paragraph, which are received by an
36 individual sixty-five (65) years of age or older and whose Oklahoma adjusted
37 gross income is Twenty-five Thousand Dollars (\$25,000.00) or less if the filing
38 status is single, head of household, or married filing separate, or Fifty Thousand
39 Dollars (\$50,000.00) or less if the filing status is married filing joint or qualifying
40 widow, shall be exempt from taxable income. In taxable years beginning after
41 December 31, 2004, retirement benefits not to exceed the amounts specified in
42 this paragraph, which are received by an individual whose Oklahoma adjusted
43 gross income is less than the qualifying amount specified in this paragraph, shall
44 be exempt from taxable income.
45
46 b. For purposes of this paragraph, the qualifying amount shall be as follows:
47

- 1 (1) in taxable years beginning after December 31, 2004, and prior to January
2 1, 2007, the qualifying amount shall be Thirty-seven Thousand Five
3 Hundred Dollars (\$37,500.00) or less if the filing status is single, head of
4 household, or married filing separate, or Seventy-Five Thousand Dollars
5 (\$75,000.00) or less if the filing status is married filing jointly or
6 qualifying widow,
7
8 (2) in the taxable year beginning January 1, 2007, the qualifying amount shall
9 be Fifty Thousand Dollars (\$50,000.00) or less if the filing status is single,
10 head of household, or married filing separate, or One Hundred Thousand
11 Dollars (\$100,000.00) or less if the filing status is married filing jointly or
12 qualifying widow,
13
14 (3) in the taxable year beginning January 1, 2008, the qualifying amount shall
15 be Sixty-two Thousand Five Hundred Dollars (\$62,500.00) or less if the
16 filing status is single, head of household, or married filing separate, or
17 One Hundred Twenty-five Thousand Dollars (\$125,000.00) or less if the
18 filing status is married filing jointly or qualifying widow,
19
20 (4) in the taxable year beginning January 1, 2009, the qualifying amount shall
21 be One Hundred Thousand Dollars (\$100,000.00) or less if the filing
22 status is single, head of household, or married filing separate, or Two
23 Hundred Thousand Dollars (\$200,000.00) or less if the filing status is
24 married filing jointly or qualifying widow, and
25
26 (5) in the taxable year beginning January 1, 2010, and subsequent taxable
27 years, there shall be no limitation upon the qualifying amount.
28

29 c. For purposes of this paragraph, "retirement benefits" means the total distributions
30 or withdrawals from the following:
31

- 32 (1) an employee pension benefit plan which satisfies the requirements of
33 Section 401 of the Internal Revenue Code, 26 U.S.C., Section 401,
34
35 (2) an eligible deferred compensation plan that satisfies the requirements of
36 Section 457 of the Internal Revenue Code, 26 U.S.C., Section 457,
37
38 (3) an individual retirement account, annuity or trust or simplified employee
39 pension that satisfies the requirements of Section 408 of the Internal
40 Revenue Code, 26 U.S.C., Section 408,
41
42 (4) an employee annuity subject to the provisions of Section 403(a) or (b) of
43 the Internal Revenue Code, 26 U.S.C., Section 403(a) or (b),
44
45 (5) United States Retirement Bonds which satisfy the requirements of Section
46 86 of the Internal Revenue Code, 26 U.S.C., Section 86, or
47

1 (6) lump-sum distributions from a retirement plan which satisfies the
2 requirements of Section 402(e) of the Internal Revenue Code, 26 U.S.C.,
3 Section 402(e).
4

5 d. The amount of the exemption provided by this paragraph shall be limited to Five
6 Thousand Five Hundred Dollars (\$5,500.00) for the 2004 tax year, Seven
7 Thousand Five Hundred Dollars (\$7,500.00) for the 2005 tax year and Ten
8 Thousand Dollars (\$10,000.00) for the tax year 2006 and for all subsequent tax
9 years. Any individual who claims the exemption provided for in paragraph 9 of
10 this subsection shall not be permitted to claim a combined total exemption
11 pursuant to this paragraph and paragraph 9 of this subsection in an amount
12 exceeding Five Thousand Five Hundred Dollars (\$5,500.00) for the 2004 tax
13 year, Seven Thousand Five Hundred Dollars (\$7,500.00) for the 2005 tax year
14 and Ten Thousand Dollars (\$10,000.00) for the 2006 tax year and all subsequent
15 tax years.
16

17 16. In taxable years beginning after December 31, 1999, for an individual engaged in production
18 agriculture who has filed a Schedule F form with the taxpayer's federal income tax return for such
19 taxable year, there shall be excluded from taxable income any amount which was included as federal
20 taxable income or federal adjusted gross income and which consists of the discharge of an obligation
21 by a creditor of the taxpayer incurred to finance the production of agricultural products.
22

23 17. In taxable years beginning December 31, 2000, an amount equal to one hundred percent
24 (100%) of the amount of any scholarship or stipend received from participation in the Oklahoma
25 Police Corps Program, as established in Section 2-140.3 of Title 47 of the Oklahoma Statutes shall be
26 exempt from taxable income.
27

28 18. a. In taxable years beginning after December 31, 2001, and before January 1, 2005,
29 there shall be allowed a deduction in the amount of contributions to accounts
30 established pursuant to the Oklahoma College Savings Plan Act. The deduction
31 shall equal the amount of contributions to accounts, but in no event shall the
32 deduction for each contributor exceed Two Thousand Five Hundred Dollars
33 (\$2,500.00) each taxable year for each account.
34

35 b. In taxable years beginning after December 31, 2004, each taxpayer shall be
36 allowed a deduction for contributions to accounts established pursuant to the
37 Oklahoma College Savings Plan Act. The maximum annual deduction shall equal
38 the amount of contributions to all such accounts plus any contributions to such
39 accounts by the taxpayer for prior taxable years after December 31, 2004, which
40 were not deducted, but in no event shall the deduction for each tax year exceed
41 Ten Thousand Dollars (\$10,000.00) for each individual taxpayer or Twenty
42 Thousand Dollars (\$20,000.00) for taxpayers filing a joint return. Any amount of
43 a contribution that is not deducted by the taxpayer in the year for which the
44 contribution is made may be carried forward as a deduction from income for the
45 succeeding five (5) years. For taxable years beginning after December 31, 2005,
46 deductions may be taken for contributions and rollovers made during a taxable
47 year and up to April 15 of the succeeding year, or the due date of a taxpayer's
48 state income tax return, excluding extensions, whichever is later. Provided, a

1 deduction for the same contribution may not be taken for two (2) different taxable
2 years.

3
4 c. In taxable years beginning after December 31, 2006, deductions for contributions
5 made pursuant to subparagraph b of this paragraph shall be limited as follows:
6

7 (1) for a taxpayer who qualified for the five-year carryforward election and
8 who takes a rollover or non-qualified withdrawal during that period, the
9 tax deduction otherwise available pursuant to subparagraph b of this
10 paragraph shall be reduced by the amount which is equal to the rollover or
11 non-qualified withdrawal, and
12

13 (2) for a taxpayer who elects to take a rollover or non-qualified withdrawal
14 within the same tax year in which a contribution was made to the
15 taxpayer's account, the tax deduction otherwise available pursuant to
16 subparagraph b of this paragraph shall be reduced by the amount of the
17 contribution which is equal to the rollover or non-qualified withdrawal.
18

19 d. If a taxpayer elects to take a rollover on a contribution for which a deduction has
20 been taken pursuant to subparagraph b of this paragraph within one year of the
21 date of contribution, the amount of such rollover shall be included in the adjusted
22 gross income of the taxpayer in the taxable year of the rollover.
23

24 e. If a taxpayer makes a non-qualified withdrawal of contributions for which a
25 deduction was taken pursuant to subparagraph b of this paragraph, such non-
26 qualified withdrawal and any earnings thereon shall be included in the adjusted
27 gross income of the taxpayer in the taxable year of the non-qualified withdrawal.
28

29 f. As used in this paragraph:
30

31 (1) "non-qualified withdrawal" means a withdrawal from an Oklahoma
32 College Savings Plan account other than one of the following:
33

34 (a) a qualified withdrawal,
35

36 (b) a withdrawal made as a result of the death or disability of the
37 designated beneficiary of an account,
38

39 (c) a withdrawal that is made on the account of a scholarship or the
40 allowance or payment described in Section 135(d)(1)(B) or (C) or
41 by the Internal Revenue Code, received by the designated
42 beneficiary to the extent the amount of the refund does not exceed
43 the amount of the scholarship, allowance, or payment, or
44

45 (d) a rollover or change of designated beneficiary as permitted by
46 subsection F of Section 3970.7 of Title 70 of Oklahoma Statutes,
47 and
48

1 (2) "rollover" means the transfer of funds from the Oklahoma College
2 Savings Plan to any other plan under Section 529 of the Internal Revenue
3 Code.
4

5 19. For taxable years beginning after December 31, 2005, retirement benefits received by an
6 individual from any component of the Armed Forces of the United States in an amount not to exceed
7 the greater of seventy-five percent (75%) of such benefits or Ten Thousand Dollars (\$10,000.00) shall
8 be exempt from taxable income but in no case less than the amount of the exemption provided by
9 paragraph 15 of this subsection.
10

11 20. For taxable years beginning after December 31, 2006, retirement benefits received by
12 federal civil service retirees, including survivor annuities, paid in lieu of Social Security benefits shall
13 be exempt from taxable income to the extent such benefits are included in the federal adjusted gross
14 income pursuant to the provisions of Section 86 of the Internal Revenue Code, 26 U.S.C., Section 86,
15 according to the following schedule:
16

- 17 a. in the taxable year beginning January 1, 2007, twenty percent (20%) of such
18 benefits shall be exempt,
19
- 20 b. in the taxable year beginning January 1, 2008, forty percent (40%) of such
21 benefits shall be exempt,
22
- 23 c. in the taxable year beginning January 1, 2009, sixty percent (60%) of such
24 benefits shall be exempt,
25
- 26 d. in the taxable year beginning January 1, 2010, eighty percent (80%) of such
27 benefits shall be exempt, and
28
- 29 e. in the taxable year beginning January 1, 2011, and subsequent taxable years, one
30 hundred percent (100%) of such benefits shall be exempt.
31

32 21. a. For taxable years beginning after December 31, 2007, a resident individual may
33 deduct up to Ten Thousand Dollars (\$10,000.00) from Oklahoma adjusted gross
34 income if the individual, or the dependent of the individual, while living, donates
35 one or more human organs of the individual to another human being for human
36 organ transplantation. As used in this paragraph, "human organ" means all or part
37 of a liver, pancreas, kidney, intestine, lung, or bone marrow. A deduction that is
38 claimed under this paragraph may be claimed in the taxable year in which the
39 human organ transplantation occurs.
40

- 41 b. An individual may claim this deduction only once, and the deduction may be
42 claimed only for unreimbursed expenses that are incurred by the individual and
43 related to the organ donation of the individual.
44
- 45 c. The Oklahoma Tax Commission shall promulgate rules to implement the
46 provisions of this paragraph which shall contain a specific list of expenses which
47 may be presumed to qualify for the deduction. The Tax Commission shall
48 prescribe necessary requirements for verification.

1 22. For taxable years beginning after December 31, 2008, there shall be allowed a deduction
2 from taxable income of one hundred percent (100%) of any income earned during the taxable year for
3 a taxpayer who:

- 4 a. was enrolled for at least eight (8) months of the taxable year as a full-time student
5 either in pursuit of a degree in an institution which is accredited by a national
6 accreditation organization or in pursuit of a license or certification in any
7 vocational and technical education program accredited by a national accreditation
8 organization, and
- 9 b. had an Oklahoma adjusted gross income of Thirty-five Thousand Dollars
10 (\$35,000.00) or less if the filing status is single, head of household or married
11 filing separately, or of Seventy Thousand Dollars (\$70,000.00) or less if the filing
12 status is married filing jointly.

13 F. 1. For taxable years beginning after December 31, 2004, a deduction from the Oklahoma
14 adjusted gross income of any individual taxpayer shall be allowed for qualifying gains receiving
15 capital treatment that are included in the federal adjusted gross income of such individual taxpayer
16 during the taxable year.

17
18 2. As used in this subsection:

- 19
20 a. "qualifying gains receiving capital treatment" means the amount of net capital
21 gains, as defined in Section 1222(11) of the Internal Revenue Code, included in
22 an individual taxpayer's federal income tax return that result from:
- 23
- 24 (1) the sale of real property or tangible personal property located within
25 Oklahoma that has been directly or indirectly owned by the individual
26 taxpayer for a holding period of at least five (5) years prior to the date of
27 the transaction from which such net capital gains arise,
28
- 29 (2) the sale of stock or the sale of a direct or indirect ownership interest in an
30 Oklahoma company, limited liability company, or partnership where such
31 stock or ownership interest has been directly or indirectly owned by the
32 individual taxpayer for a holding period of at least two (2) years prior to
33 the date of the transaction from which the net capital gains arise, or
34
- 35 (3) the sale of real property, tangible personal property or intangible personal
36 property located within Oklahoma as part of the sale of all or substantially

1 all of the assets of an Oklahoma company, limited liability company, or
2 partnership or an Oklahoma proprietorship business enterprise where such
3 property has been directly or indirectly owned by such entity or business
4 enterprise or owned by the owners of such entity or business enterprise for
5 a period of at least two (2) years prior to the date of the transaction from
6 which the net capital gains arise,
7

8 b. "holding period" means an uninterrupted period of time. The holding period shall
9 include any additional period when the property was held by another individual or
10 entity, if such additional period is included in the taxpayer's holding period for
11 the asset pursuant to the Internal Revenue Code,
12

13 c. "Oklahoma company," "limited liability company," or "partnership" means an
14 entity whose primary headquarters have been located in Oklahoma for at least
15 three (3) uninterrupted years prior to the date of the transaction from which the
16 net capital gains arise,
17

18 d. "direct" means the individual taxpayer directly owns the asset,
19

20 e. "indirect" means the individual taxpayer owns an interest in a pass-through entity
21 (or chain of pass-through entities) that sells the asset that gives rise to the
22 qualifying gains receiving capital treatment.
23

24 (1) With respect to sales of real property or tangible personal property located
25 within Oklahoma, the deduction described in this subsection shall not
26 apply unless the pass-through entity that makes the sale has held the
27 property for not less than five (5) uninterrupted years prior to the date of
28 the transaction that created the capital gain, and each pass-through entity
29 included in the chain of ownership has been a member, partner, or
30 shareholder of the pass-through entity in the tier immediately below it for
31 an uninterrupted period of not less than five (5) years.
32

33 (2) With respect to sales of stock or ownership interest in or sales of all or
34 substantially all of the assets of an Oklahoma company, limited liability
35 company, partnership or Oklahoma proprietorship business enterprise, the
36 deduction described in this subsection shall not apply unless the pass-
37 through entity that makes the sale has held the stock or ownership interest
38 for not less than two (2) uninterrupted years prior to the date of the
39 transaction that created the capital gain, and each pass-through entity
40 included in the chain of ownership has been a member, partner or
41 shareholder of the pass-through entity in the tier immediately below it for
42 an uninterrupted period of not less than two (2) years. For purposes of
43 this division, uninterrupted ownership prior to the effective date of this act
44 shall be included in the determination of the required holding period
45 prescribed by this division, and
46

47 f. "Oklahoma proprietorship business enterprise" means a business enterprise whose
48 income and expenses have been reported on Schedule C or F of an individual

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taxpayer's federal income tax return, or any similar successor schedule published by the Internal Revenue Service and whose primary headquarters have been located in Oklahoma for at least three (3) uninterrupted years prior to the date of the transaction from which the net capital gains arise.”