

THE HOUSE OF REPRESENTATIVES
Wednesday, April 18, 2007

Committee Substitute for
ENGROSSED
Senate Bill No. 488

COMMITTEE SUBSTITUTE FOR ENGROSSED SENATE BILL NO. 488 - By:
JOHNSON (CONSTANCE) of the Senate and NATIONS of the House.

(public health and safety - anatomical gifts - codification -
effective date)

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

1 SECTION 1. AMENDATORY 63 O.S. 2001, Section 2203, as amended by
2 Section 1, Chapter 176, O.S.L. 2003 (63 O.S. Supp. 2006, Section 2203), is amended to
3 read as follows:

4 Section 2203. A. Any adult of sound mind may give all or any part of his or her
5 body for any purpose specified in Section 2204 of this title, the gift to take effect upon
6 death. The wishes of the deceased, as evidenced by donor registration in the form of an
7 advance directive, a driver license designation, a donor card, a state identification card,
8 an on-line or other organ donor enrollment registry enrollment form, or a will shall take
9 precedence over the wishes of the family.

10 B. Any of the following persons, in order of priority stated, when persons in prior
11 classes are not available at the time of death, and in the absence of actual notice of

1 contrary indications by the decedent or actual notice of opposition by a member of the
2 same or a prior class, may give all or any part of the decedent's body for any purpose
3 specified in Section 2204 of this title:

- 4 1. The spouse;
- 5 2. An adult son or daughter;
- 6 3. Either parent;
- 7 4. An adult brother or sister;
- 8 5. A guardian of the person of the decedent at the time of death; or
- 9 6. Any other person authorized or under obligation to dispose of the body.

10 C. If the donee has actual notice of contrary indications by the decedent or that a
11 gift by a member of a class is opposed by a member of the same or a prior class, the donee
12 shall not accept the gift. The persons authorized by subsection B of this section may
13 make the gift after or immediately before the decedent's death.

14 D. A gift of all or part of a body authorizes any examination necessary to assure
15 medical acceptability of the gift for the purposes intended.

16 E. The rights of the donee created by the gift are paramount to the rights of others
17 except as provided by subsection (d) of Section 2208 of this title.

18 SECTION 2. AMENDATORY 63 O.S. 2001, Section 2212, is amended to read
19 as follows:

20 Section 2212. In any death that the Office of the Chief Medical Examiner of the
21 State of Oklahoma is required by law to investigate, a medical examiner may authorize
22 the removal of organs, eyes or tissues from the deceased for donation to a suitable donee

1 pursuant to the provisions of the Uniform Anatomical Gift Act if the next of kin of the
2 deceased has been consulted and consents to ~~said~~ the removal and donation in
3 accordance with the provisions of Section 2203 of this title. It is the intent of the
4 Oklahoma Legislature that, if the removal of ~~an organ or~~ organs, eyes or tissues for
5 transplant, research or other medical purpose will not interfere with the subsequent
6 course of an investigation or autopsy, and if the next of kin of the deceased has been
7 consulted and consents to ~~said~~ the removal and donation in accordance with the
8 provisions of Section 2203 of this title, the Chief Medical Examiner, county medical
9 examiner or any person authorized by law to conduct an autopsy shall authorize the
10 removal of organs, eyes or tissues from the deceased for donation to a suitable donee
11 pursuant to the provisions of the Uniform Anatomical Gift Act. In such cases where the
12 deceased ~~has an organ donor card~~ is a registered donor, the consent from next of kin shall
13 not be required.

14 SECTION 3. NEW LAW A new section of law to be codified in the Oklahoma
15 Statutes as Section 2215.1 of Title 63, unless there is created a duplication in numbering,
16 reads as follows:

17 A. It is the intent of the Oklahoma Legislature that all organs, eyes and tissues
18 deemed medically suitable for transplantation be made available to those in need
19 pursuant to Section 2212 of Title 63 of the Oklahoma Statutes.

20 B. The Office of the Chief Medical Examiner is authorized to refer all nonhospital
21 deaths to the certified and federally designated Organ Procurement Organization for the

1 purposes of determining medical suitability of the deceased as an organ, eye or tissue
2 donor.

3 SECTION 4. AMENDATORY 63 O.S. 2001, Section 2220.5, as amended by Section
4 4, Chapter 395, O.S.L. 2004 (63 O.S. Supp. 2006, Section 2220.5), is amended to read as
5 follows:

6 Section 2220.5 A. 1. ~~An~~ The Commissioner of Public Safety shall inquire, in
7 writing, on the electronic signature pad of the motor license agent, if any applicant for an
8 original or replacement driver license or identification card ~~shall be given an opportunity~~
9 would like to make a voluntary contribution of ~~One Dollar (\$1.00)~~ Two Dollars (\$2.00)
10 with fifty cents (\$.50) to be disbursed to the tag agency for administrative expenses, and
11 One Dollar and fifty cents (\$1.50) to be credited to the Oklahoma Organ Donor Education
12 and Awareness Program Revolving Fund established in Section 2220.3 of this title. Any
13 voluntary contribution shall be added to the driver license or identification card fee and
14 then be referred to the State Treasurer and credited to the Oklahoma Organ Donor
15 Education and Awareness Program Revolving Fund as provided in Section 2220.3 of this
16 title.

17 2. An applicant for a vehicle title or transfer of title or for a vehicle license plate
18 shall be given an opportunity, in writing, to make a minimum voluntary contribution of
19 One Dollar (\$1.00) to be credited to the Oklahoma Organ Donor Education and
20 Awareness Program Revolving Fund established in Section 2220.3 of this title. Any
21 voluntary contribution shall be added to the title or license plate fee and then be referred

1 to the State Treasurer and credited to the Oklahoma Organ Donor Education and
2 Awareness Program Revolving Fund as provided in Section 2220.3 of this title.

3 3. The contribution prescribed in this section is voluntary and may be refused by
4 the applicant. The Department of Public Safety and the Oklahoma Tax Commission
5 shall make available an information booklet or other informational sources on the
6 importance of organ donation to applicants for licensure, as designed and provided by the
7 State Department of Health and the State Superintendent of Public Instruction with the
8 assistance of the Oklahoma Organ Donor Education and Awareness Program Advisory
9 Council established in Section 2220.2 of this title.

10 B. The Department of Public Safety and motor license agents shall inquire of each
11 applicant at the time of presentation of a completed application for an original driver
12 license or identification card whether the applicant is interested in making the One
13 Dollar (\$1.00) contribution prescribed in subsection A of this section and whether the
14 applicant is interested in being an organ and tissue donor, in writing, on the electronic
15 signature pad of the motor license agent. The Department of Public Safety or motor
16 license agents shall also specifically inform the applicant of the ability to make an organ
17 and tissue donation. The Department of Public Safety shall notify the State
18 Commissioner of Health the name, address, date of birth, and driver license number or
19 identification card number of applicants who indicate that they are interested in being
20 an organ donor.

21 C. The incremental cost of administration of contributions to the fund, not to
22 exceed one percent (1%) of the monies received pursuant to the provisions of this section,

1 shall be paid by the fund to the Department of Public Safety or the Oklahoma Tax
2 Commission, as applicable, from amounts received pursuant to the provisions of this
3 section before funds are expended for the purposes of the fund.

4 SECTION 5. AMENDATORY 68 O.S. 2001, Section 2358, as last amended by
5 Section 57 of Enrolled House Bill No. 2195 of the 1st Session of the 51st Oklahoma
6 Legislature, is amended to read as follows:

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

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

13 1. There shall be added interest income on obligations of any state or political
14 subdivision thereto which is not otherwise exempted pursuant to other laws of this state,
15 to the extent that such interest is not included in taxable income and adjusted gross
16 income.

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

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

- 1 a. For carryovers and carrybacks to taxable years beginning before
2 January 1, 1981, the amount of any net operating loss deduction
3 allowed to a taxpayer for federal income tax purposes shall be reduced
4 to an amount which is the same portion thereof as the loss from
5 sources within this state, as determined pursuant to this section and
6 Section 2362 of this title, for the taxable year in which such loss is
7 sustained is of the total loss for such year;
- 8 b. For carryovers and carrybacks to taxable years beginning after
9 December 31, 1980, the amount of any net operating loss deduction
10 allowed for the taxable year shall be an amount equal to the aggregate
11 of the Oklahoma net operating loss carryovers and carrybacks to such
12 year. Oklahoma net operating losses shall be separately determined
13 by reference to Section 172 of the Internal Revenue Code, 26 U.S.C.,
14 Section 172, as modified by the Oklahoma Income Tax Act, Section
15 2351 et seq. of this title, and shall be allowed without regard to the
16 existence of a federal net operating loss. For tax years beginning after
17 December 31, 2000, the years to which such losses may be carried shall
18 be determined solely by reference to Section 172 of the Internal
19 Revenue Code, 26 U.S.C., Section 172, with the exception that the
20 terms "net operating loss" and "taxable income" shall be replaced with
21 "Oklahoma net operating loss" and "Oklahoma taxable income".

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

5 a. Income from real and tangible personal property, such as rents, oil and
6 mining production or royalties, and gains or losses from sales of such
7 property, shall be allocated in accordance with the situs of such
8 property;

9 b. Income from intangible personal property, such as interest, dividends,
10 patent or copyright royalties, and gains or losses from sales of such
11 property, shall be allocated in accordance with the domiciliary situs of
12 the taxpayer, except that:

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

1 (2) for taxable years beginning after December 31, 2003, capital or
2 ordinary gains or losses from the sale of an ownership interest in
3 a publicly traded partnership, as defined by Section 7704(b) of
4 the Internal Revenue Code of 1986, as amended, shall be
5 allocated to this state in the ratio of the original cost of such
6 partnership's tangible property in this state to the original cost
7 of such partnership's tangible property everywhere, as
8 determined at the time of the sale; if more than fifty percent
9 (50%) of the value of the partnership's assets consists of
10 intangible assets, capital or ordinary gains or losses from the
11 sale of an ownership interest in the partnership shall be
12 allocated to this state in accordance with the sales factor of the
13 partnership for its first full tax period immediately preceding its
14 tax period during which the ownership interest in the
15 partnership was sold; the provisions of this division shall only
16 apply if the capital or ordinary gains or losses from the sale of
17 an ownership interest in a partnership do not constitute
18 qualifying gain receiving capital treatment as defined in
19 subparagraph a of paragraph 2 of subsection F of this section,
20 (3) income from such property which is required to be allocated
21 pursuant to the provisions of paragraph 5 of this subsection
22 shall be allocated as herein provided;

1 c. Net income or loss from a business activity which is not a part of
2 business carried on within or without the state of a unitary character
3 shall be separately allocated to the state in which such activity is
4 conducted;
5 d. In the case of a manufacturing or processing enterprise the business of
6 which in Oklahoma consists solely of marketing its products by:
7 (1) sales having a situs without this state, shipped directly to a
8 point from without the state to a purchaser within the state,
9 commonly known as interstate sales,
10 (2) sales of the product stored in public warehouses within the state
11 pursuant to "in transit" tariffs, as prescribed and allowed by the
12 Interstate Commerce Commission, to a purchaser within the
13 state,
14 (3) sales of the product stored in public warehouses within the state
15 where the shipment to such warehouses is not covered by "in
16 transit" tariffs, as prescribed and allowed by the Interstate
17 Commerce Commission, to a purchaser within or without the
18 state,
19 the Oklahoma net income shall, at the option of the taxpayer, be that
20 portion of the total net income of the taxpayer for federal income tax
21 purposes derived from the manufacture and/or processing and sales
22 everywhere as determined by the ratio of the sales defined in this

UNDERLINED language denotes Amendments to present Statutes.
BOLD FACE CAPITALIZED language denotes Committee Amendments.
~~Strike thru~~ language denotes deletion from present Statutes.

1 section made to the purchaser within the state to the total sales
2 everywhere. The term "public warehouse" as used in this
3 subparagraph means a licensed public warehouse, the principal
4 business of which is warehousing merchandise for the public;

5 e. In the case of insurance companies, Oklahoma taxable income shall be
6 taxable income of the taxpayer for federal tax purposes, as adjusted for
7 the adjustments provided pursuant to the provisions of paragraphs 1
8 and 2 of this subsection, apportioned as follows:

9 (1) except as otherwise provided by division (2) of this
10 subparagraph, taxable income of an insurance company for a
11 taxable year shall be apportioned to this state by multiplying
12 such income by a fraction, the numerator of which is the direct
13 premiums written for insurance on property or risks in this
14 state, and the denominator of which is the direct premiums
15 written for insurance on property or risks everywhere. For
16 purposes of this subsection, the term "direct premiums written"
17 means the total amount of direct premiums written,
18 assessments and annuity considerations as reported for the
19 taxable year on the annual statement filed by the company with
20 the Insurance Commissioner in the form approved by the
21 National Association of Insurance Commissioners, or such other
22 form as may be prescribed in lieu thereof,

1 (2) if the principal source of premiums written by an insurance
2 company consists of premiums for reinsurance accepted by it,
3 the taxable income of such company shall be apportioned to this
4 state by multiplying such income by a fraction, the numerator of
5 which is the sum of (a) direct premiums written for insurance on
6 property or risks in this state, plus (b) premiums written for
7 reinsurance accepted in respect of property or risks in this state,
8 and the denominator of which is the sum of (c) direct premiums
9 written for insurance on property or risks everywhere, plus (d)
10 premiums written for reinsurance accepted in respect of
11 property or risks everywhere. For purposes of this paragraph,
12 premiums written for reinsurance accepted in respect of
13 property or risks in this state, whether or not otherwise
14 determinable, may at the election of the company be determined
15 on the basis of the proportion which premiums written for
16 insurance accepted from companies commercially domiciled in
17 Oklahoma bears to premiums written for reinsurance accepted
18 from all sources, or alternatively in the proportion which the
19 sum of the direct premiums written for insurance on property or
20 risks in this state by each ceding company from which
21 reinsurance is accepted bears to the sum of the total direct

1 premiums written by each such ceding company for the taxable
2 year.

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

1 a. The property factor is a fraction, the numerator of which is the average
2 value of the taxpayer's real and tangible personal property owned or
3 rented and used in this state during the tax period and the
4 denominator of which is the average value of all the taxpayer's real
5 and tangible personal property everywhere owned or rented and used
6 during the tax period.

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

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

21 (3) The average value of property shall be determined by averaging
22 the values at the beginning and ending of the tax period but the

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

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

(1) In the case of a transportation enterprise, the numerator of the fraction shall include a portion of such expenditure in connection with employees operating equipment over a fixed route, such as railroad employees, airline pilots, or bus drivers, in this state only a part of the time, in the proportion that mileage traveled in Oklahoma bears to total mileage traveled by such employees,

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

1 c. The sales factor is a fraction, the numerator of which is the total sales
2 or gross revenue of the taxpayer in this state during the tax period,
3 and the denominator of which is the total sales or gross revenue of the
4 taxpayer everywhere during the tax period. "Sales", as used in this
5 subsection does not include sales or gross revenue which are separately
6 allocated in paragraph 4 of this subsection.

7 (1) Sales of tangible personal property have a situs in this state if
8 the property is delivered or shipped to a purchaser other than
9 the United States government, within this state regardless of
10 the FOB point or other conditions of the sale; or the property is
11 shipped from an office, store, warehouse, factory or other place
12 of storage in this state and (a) the purchaser is the United
13 States government or (b) the taxpayer is not doing business in
14 the state of the destination of the shipment.

15 (2) In the case of a railroad or interurban railway enterprise, the
16 numerator of the fraction shall not be less than the allocation of
17 revenues to this state as shown in its annual report to the
18 Corporation Commission.

19 (3) In the case of an airline, truck or bus enterprise or freight car,
20 tank car, refrigerator car or other railroad equipment enterprise,
21 the numerator of the fraction shall include a portion of revenue
22 from interstate transportation in the proportion that interstate

1 mileage traveled in Oklahoma bears to total interstate mileage
2 traveled.

3 (4) In the case of an oil, gasoline or gas pipeline enterprise, the
4 numerator of the fraction shall be either the total of traffic units
5 of the enterprise within Oklahoma or the revenue allocated to
6 Oklahoma based upon miles moved, at the option of the
7 taxpayer, and the denominator of which shall be the total of
8 traffic units of the enterprise or the revenue of the enterprise
9 everywhere as appropriate to the numerator. A "traffic unit" is
10 hereby defined as the transportation for a distance of one (1)
11 mile of one (1) barrel of oil, one (1) gallon of gasoline or one
12 thousand (1,000) cubic feet of natural or casinghead gas, as the
13 case may be.

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

1 separately in the manner provided by such uniform system of
2 accounts and only the interstate income shall be subject to
3 allocation pursuant to the provisions of this subsection.

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

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

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

20 For purposes of this paragraph:

- 21 a. "Agricultural commodity processing facility" means building,
22 structures, fixtures and improvements used or operated primarily for

1 the processing or production of marketable products from agricultural
2 commodities. The term shall also mean a dairy operation that requires
3 a depreciable investment of at least Two Hundred Fifty Thousand
4 Dollars (\$250,000.00) and which produces milk from dairy cows. The
5 term does not include a facility that provides only, and nothing more
6 than, storage, cleaning, drying or transportation of agricultural
7 commodities, and

8 b. "Facility" means each part of the facility which is used in a process
9 primarily for:

- 10 (1) the processing of agricultural commodities, including receiving
11 or storing agricultural commodities, or the production of milk at
12 a dairy operation,
13 (2) transporting the agricultural commodities or product before,
14 during or after the processing, or
15 (3) packaging or otherwise preparing the product for sale or
16 shipment.

17 7. Despite any provision to the contrary in paragraph 3 of this subsection, for
18 taxable years beginning after December 31, 1999, in the case of a taxpayer which has a
19 farming loss, such farming loss shall be considered a net operating loss carryback in
20 accordance with and to the extent of the Internal Revenue Code, 26 U.S.C., Section
21 172(b)(G). However, the amount of the net operating loss carryback shall not exceed the
22 lesser of:

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

5 8. In taxable years beginning after December 31, 1995, all qualified wages equal to

6 the federal income tax credit set forth in 26 U.S.C.A., Section 45A, shall be deducted from

7 taxable income. The deduction allowed pursuant to this paragraph shall only be

8 permitted for the tax years in which the federal tax credit pursuant to 26 U.S.C.A.,

9 Section 45A, is allowed. For purposes of this paragraph, "qualified wages" means those

10 wages used to calculate the federal credit pursuant to 26 U.S.C.A., Section 45A.

11 9. In taxable years beginning after December 31, 2005, an employer that is eligible

12 for and utilizes the Safety Pays OSHA Consultation Service provided by the Oklahoma

13 Department of Labor shall receive an exemption from taxable income in the amount of

14 One Thousand Dollars (\$1,000.00) for the tax year that the service is utilized.

15 B. The taxable income of any corporation shall be further adjusted to arrive at

16 Oklahoma taxable income, except those corporations electing treatment as provided in

17 subchapter S of the Internal Revenue Code, 26 U.S.C., Section 1361 et seq., and Section

18 2365 of this title, deductions pursuant to the provisions of the Accelerated Cost Recovery

19 System as defined and allowed in the Economic Recovery Tax Act of 1981, Public Law 97-

20 34, 26 U.S.C., Section 168, for depreciation of assets placed into service after December

21 31, 1981, shall not be allowed in calculating Oklahoma taxable income. Such

22 corporations shall be allowed a deduction for depreciation of assets placed into service

1 after December 31, 1981, in accordance with provisions of the Internal Revenue Code, 26
2 U.S.C., Section 1 et seq., in effect immediately prior to the enactment of the Accelerated
3 Cost Recovery System. The Oklahoma tax basis for all such assets placed into service
4 after December 31, 1981, calculated in this section shall be retained and utilized for all
5 Oklahoma income tax purposes through the final disposition of such assets.

6 Notwithstanding any other provisions of the Oklahoma Income Tax Act, Section
7 2351 et seq. of this title, or of the Internal Revenue Code to the contrary, this subsection
8 shall control calculation of depreciation of assets placed into service after December 31,
9 1981, and before January 1, 1983.

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

16 C. 1. For taxable years beginning after December 31, 1987, the taxable income of
17 any corporation shall be further adjusted to arrive at Oklahoma taxable income for
18 transfers of technology to qualified small businesses located in Oklahoma. Such
19 transferor corporation shall be allowed an exemption from taxable income of an amount
20 equal to the amount of royalty payment received as a result of such transfer; provided,
21 however, such amount shall not exceed ten percent (10%) of the amount of gross proceeds
22 received by such transferor corporation as a result of the technology transfer. Such

1 exemption shall be allowed for a period not to exceed ten (10) years from the date of
2 receipt of the first royalty payment accruing from such transfer. No exemption may be
3 claimed for transfers of technology to qualified small businesses made prior to January 1,
4 1988.

5 2. For purposes of this subsection:

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

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

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

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

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

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

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

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

10 2. As used in this subsection:

11 a. "qualifying gains receiving capital treatment" means the amount of net
12 capital gains, as defined in Section 1222(11) of the Internal Revenue
13 Code, included in the federal income tax return of the corporation,
14 estate or trust that was:

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

20 (2) earned on the sale of stock or on the sale of an ownership
21 interest in an Oklahoma company, limited liability company, or
22 partnership where such stock or ownership interest has been

1 directly or indirectly owned by the corporation, estate or trust
2 for a holding period of at least three (3) years prior to the date of
3 the transaction from which the net capital gains arise,

- 4 b. "holding period" means an uninterrupted period of time,
- 5 c. "Oklahoma company", "limited liability company", or "partnership"
6 means an entity whose primary headquarters have been located in
7 Oklahoma for at least three (3) uninterrupted years prior to the date of
8 the transaction from which the net capital gains arise,
- 9 d. "direct" means the taxpayer directly owns the asset, and
- 10 e. "indirect" means the taxpayer owns an interest in a pass-through
11 entity (or chain of pass-through entities) that sells the asset that gives
12 rise to the qualifying gains receiving capital treatment.

13 (1) With respect to sales of real or personal property located within
14 Oklahoma, the deduction described in this subsection shall not
15 apply unless the pass-through entity that makes the sale has
16 held the property for not less than five (5) uninterrupted years
17 prior to the date of the transaction that created the capital gain,
18 and each pass-through entity included in the chain of ownership
19 has been a member, partner, or shareholder of the pass-through
20 entity in the tier immediately below it for an uninterrupted
21 period of not less than five (5) years.

1 (2) With respect to sales of stock or ownership interest in an
2 Oklahoma company, limited liability company, or partnership,
3 the deduction described in this subsection shall not apply unless
4 the pass-through entity that makes the sale has held the stock
5 or ownership interest for not less than three (3) uninterrupted
6 years prior to the date of the transaction that created the capital
7 gain, and each pass-through entity included in the chain of
8 ownership has been a member, partner or shareholder of the
9 pass-through entity in the tier immediately below it for an
10 uninterrupted period of not less than three (3) years.

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

- 13 1. a. In the case of individuals, there shall be added or deducted, as the case
14 may be, the difference necessary to allow personal exemptions of One
15 Thousand Dollars (\$1,000.00) in lieu of the personal exemptions
16 allowed by the Internal Revenue Code.
- 17 b. There shall be allowed an additional exemption of One Thousand
18 Dollars (\$1,000.00) for each taxpayer or spouse who is blind at the
19 close of the tax year. For purposes of this subparagraph, an individual
20 is blind only if the central visual acuity of the individual does not
21 exceed 20/200 in the better eye with correcting lenses, or if the visual
22 acuity of the individual is greater than 20/200, but is accompanied by a

1 limitation in the fields of vision such that the widest diameter of the
2 visual field subtends an angle no greater than twenty (20) degrees.

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

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

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

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

8 2. a. For taxable years beginning on or before December 31, 2005, in the
9 case of individuals who use the standard deduction in determining
10 taxable income, there shall be added or deducted, as the case may be,
11 the difference necessary to allow a standard deduction in lieu of the
12 standard deduction allowed by the Internal Revenue Code, in an
13 amount equal to the larger of fifteen percent (15%) of the Oklahoma
14 adjusted gross income or One Thousand Dollars (\$1,000.00), but not to
15 exceed Two Thousand Dollars (\$2,000.00), except that in the case of a
16 married individual filing a separate return such deduction shall be the
17 larger of fifteen percent (15%) of such Oklahoma adjusted gross income
18 or Five Hundred Dollars (\$500.00), but not to exceed the maximum
19 amount of One Thousand Dollars (\$1,000.00),

20 b. For taxable years beginning on or after January 1, 2006, and before
21 January 1, 2007, in the case of individuals who use the standard
22 deduction in determining taxable income, there shall be added or

1 deduced, as the case may be, the difference necessary to allow a
2 standard deduction in lieu of the standard deduction allowed by the
3 Internal Revenue Code, in an amount equal to:

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

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

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

20 d. For the taxable year beginning on January 1, 2008, and ending
21 December 31, 2008, in the case of individuals who use the standard
22 deduction in determining taxable income, there shall be added or

1 deducted, as the case may be, the difference necessary to allow a
2 standard deduction in lieu of the standard deduction allowed by the
3 Internal Revenue Code, in an amount equal to:

- 4 (1) Six Thousand Five Hundred Dollars (\$6,500.00), if the filing
5 status is married filing joint or qualifying widow, or
- 6 (2) Four Thousand Eight Hundred Seventy-five Dollars (\$4,875.00)
7 for a head of household, or
- 8 (3) Three Thousand Two Hundred Fifty Dollars (\$3,250.00), if the
9 filing status is single or married filing separate.

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

- 16 (1) Eight Thousand Five Hundred Dollars (\$8,500.00), if the filing
17 status is married filing joint or qualifying widow, or
- 18 (2) Six Thousand Three Hundred Seventy-five Dollars (\$6,375.00)
19 for a head of household, or
- 20 (3) Four Thousand Two Hundred Fifty Dollars (\$4,250.00), if the
21 filing status is single or married filing separate.

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

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

18 4. A resident individual with a physical disability constituting a substantial
19 handicap to employment may deduct from Oklahoma adjusted gross income such
20 expenditures to modify a motor vehicle, home or workplace as are necessary to
21 compensate for his or her handicap. A veteran certified by the Veterans Administration
22 of the federal government as having a service-connected disability shall be conclusively

1 presumed to be an individual with a physical disability constituting a substantial
2 handicap to employment. The Tax Commission shall promulgate rules containing a list
3 of combinations of common disabilities and modifications which may be presumed to
4 qualify for this deduction. The Tax Commission shall prescribe necessary requirements
5 for verification.

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

- 12 a. absence from the United States, which term includes only the states
13 and the District of Columbia;
- 14 b. absence from the State of Oklahoma while on active duty; or
- 15 c. confinement in a hospital within the United States for treatment of
16 wounds, injuries or disease,

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

- 20 (1) Such individual shall return to the United States if the
21 extension is granted pursuant to subparagraph a of this
22 paragraph, return to the State of Oklahoma if the extension is

1 granted pursuant to subparagraph b of this paragraph or be
2 discharged from such hospital if the extension is granted
3 pursuant to subparagraph c of this paragraph; or

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

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

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

16 7. Notwithstanding anything in the Internal Revenue Code or in the Oklahoma
17 Income Tax Act to the contrary, it is expressly provided that, in the case of resident
18 individuals, amounts received as dividends or distributions of earnings from savings and
19 loan associations or credit unions located in Oklahoma, and interest received on savings
20 accounts and time deposits from such sources or from state and national banks or trust
21 companies located in Oklahoma, shall qualify as dividends for the purpose of the
22 dividend exclusion, and taxable income shall be adjusted accordingly to arrive at

1 Oklahoma taxable income; provided, however, that the dividend, distribution of earnings
2 and/or interest exclusion provided for hereinabove shall not be cumulative to the
3 maximum dividend exclusion allowed by the Internal Revenue Code. Any dividend
4 exclusion already allowed by the Internal Revenue Code and reflected in the taxpayer's
5 Oklahoma taxable income together with exclusion allowed herein shall not exceed the
6 total of One Hundred Dollars (\$100.00) per individual or Two Hundred Dollars (\$200.00)
7 per couple filing a joint return.

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

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

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

1 amount of any accelerated ten percent (10%) tax rate bracket credit or
2 advanced refund of the credit received during the tax year provided
3 pursuant to the federal Economic Growth and Tax Relief
4 Reconciliation Act of 2001, P.L. No. 107-16, and the advanced refund of
5 such credit shall not be subject to taxation.

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

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

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

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

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

19 13. For taxable years beginning after December 31, 1996, the Oklahoma adjusted
20 gross income of any individual taxpayer who is a swine or poultry producer may be
21 further adjusted for the deduction for depreciation allowed for new construction or
22 expansion costs which may be computed using the same depreciation method elected for

1 federal income tax purposes except that the useful life shall be seven (7) years for
2 purposes of this paragraph. If depreciation is allowed as a deduction in determining the
3 adjusted gross income of an individual, any depreciation calculated and claimed
4 pursuant to this section shall in no event be a duplication of any depreciation allowed or
5 permitted on the federal income tax return of the individual.

6 14. a. In taxable years beginning after December 31, 2002, nonrecurring
7 adoption expenses paid by a resident individual taxpayer in connection
8 with:

9 (1) the adoption of a minor, or

10 (2) a proposed adoption of a minor which did not result in a decreed
11 adoption,

12 may be deducted from the Oklahoma adjusted gross income.

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

16 c. The Tax Commission shall promulgate rules to implement the
17 provisions of this paragraph which shall contain a specific list of
18 nonrecurring adoption expenses which may be presumed to qualify for
19 the deduction. The Tax Commission shall prescribe necessary
20 requirements for verification.

21 d. "Nonrecurring adoption expenses" means adoption fees, court costs,
22 medical expenses, attorney fees and expenses which are directly

1 related to the legal process of adoption of a child including, but not
2 limited to, costs relating to the adoption study, health and
3 psychological examinations, transportation and reasonable costs of
4 lodging and food for the child or adoptive parents which are incurred to
5 complete the adoption process and are not reimbursed by other
6 sources. The term "nonrecurring adoption expenses" shall not include
7 attorney fees incurred for the purpose of litigating a contested
8 adoption, from and after the point of the initiation of the contest, costs
9 associated with physical remodeling, renovation and alteration of the
10 adoptive parents' home or property, except for a special needs child as
11 authorized by the court.

12 15. a. In taxable years beginning before January 1, 2005, retirement benefits
13 not to exceed the amounts specified in this paragraph, which are
14 received by an individual sixty-five (65) years of age or older and whose
15 Oklahoma adjusted gross income is Twenty-five Thousand Dollars
16 (\$25,000.00) or less if the filing status is single, head of household, or
17 married filing separate, or Fifty Thousand Dollars (\$50,000.00) or less
18 if the filing status is married filing joint or qualifying widow, shall be
19 exempt from taxable income. In taxable years beginning after
20 December 31, 2004, retirement benefits not to exceed the amounts
21 specified in this paragraph, which are received by an individual whose

1 Oklahoma adjusted gross income is less than the qualifying amount
2 specified in this paragraph, shall be exempt from taxable income.

3 b. For purposes of this paragraph, the qualifying amount shall be as
4 follows:

5 (1) in taxable years beginning after December 31, 2004, and prior to
6 January 1, 2007, the qualifying amount shall be Thirty-seven
7 Thousand Five Hundred Dollars (\$37,500.00) or less if the filing
8 status is single, head of household, or married filing separate, or
9 Seventy-Five Thousand Dollars (\$75,000.00) or less if the filing
10 status is married filing jointly or qualifying widow,

11 (2) in the taxable year beginning January 1, 2007, the qualifying
12 amount shall be Fifty Thousand Dollars (\$50,000.00) or less if
13 the filing status is single, head of household, or married filing
14 separate, or One Hundred Thousand Dollars (\$100,000.00) or
15 less if the filing status is married filing jointly or qualifying
16 widow,

17 (3) in the taxable year beginning January 1, 2008, the qualifying
18 amount shall be Sixty-two Thousand Five Hundred Dollars
19 (\$62,500.00) or less if the filing status is single, head of
20 household, or married filing separate, or One Hundred Twenty-
21 five Thousand Dollars (\$125,000.00) or less if the filing status is
22 married filing jointly or qualifying widow,

- 1 (4) in the taxable year beginning January 1, 2009, the qualifying
2 amount shall be One Hundred Thousand Dollars (\$100,000.00)
3 or less if the filing status is single, head of household, or married
4 filing separate, or Two Hundred Thousand Dollars (\$200,000.00)
5 or less if the filing status is married filing jointly or qualifying
6 widow, and
- 7 (5) in the taxable year beginning January 1, 2010, and subsequent
8 taxable years, there shall be no limitation upon the qualifying
9 amount.
- 10 c. For purposes of this paragraph, "retirement benefits" means the total
11 distributions or withdrawals from the following:
- 12 (1) an employee pension benefit plan which satisfies the
13 requirements of Section 401 of the Internal Revenue Code, 26
14 U.S.C., Section 401,
- 15 (2) an eligible deferred compensation plan that satisfies the
16 requirements of Section 457 of the Internal Revenue Code, 26
17 U.S.C., Section 457,
- 18 (3) an individual retirement account, annuity or trust or simplified
19 employee pension that satisfies the requirements of Section 408
20 of the Internal Revenue Code, 26 U.S.C., Section 408,

- 1 (4) an employee annuity subject to the provisions of Section 403(a)
2 or (b) of the Internal Revenue Code, 26 U.S.C., Section 403(a) or
3 (b),
4 (5) United States Retirement Bonds which satisfy the requirements
5 of Section 86 of the Internal Revenue Code, 26 U.S.C., Section
6 86, or
7 (6) lump-sum distributions from a retirement plan which satisfies
8 the requirements of Section 402(e) of the Internal Revenue Code,
9 26 U.S.C., Section 402(e).
- 10 d. The amount of the exemption provided by this paragraph shall be
11 limited to Five Thousand Five Hundred Dollars (\$5,500.00) for the
12 2004 tax year, Seven Thousand Five Hundred Dollars (\$7,500.00) for
13 the 2005 tax year and Ten Thousand Dollars (\$10,000.00) for the tax
14 year 2006 and for all subsequent tax years. Any individual who claims
15 the exemption provided for in paragraph 9 of this subsection shall not
16 be permitted to claim a combined total exemption pursuant to this
17 paragraph and paragraph 9 of this subsection in an amount exceeding
18 Five Thousand Five Hundred Dollars (\$5,500.00) for the 2004 tax year,
19 Seven Thousand Five Hundred Dollars (\$7,500.00) for the 2005 tax
20 year and Ten Thousand Dollars (\$10,000.00) for the 2006 tax year and
21 all subsequent tax years.

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

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

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

18 b. In taxable years beginning after December 31, 2004, each taxpayer
19 shall be allowed a deduction for contributions to accounts established
20 pursuant to the Oklahoma College Savings Plan Act. The maximum
21 annual deduction shall equal the amount of contributions to all such
22 accounts plus any contributions to such accounts by the taxpayer for

1 prior taxable years after December 31, 2004, which were not deducted,
2 but in no event shall the deduction for each tax year exceed Ten
3 Thousand Dollars (\$10,000.00) for each individual taxpayer or Twenty
4 Thousand Dollars (\$20,000.00) for taxpayers filing a joint return. Any
5 amount of a contribution that is not deducted by the taxpayer in the
6 year for which the contribution is made may be carried forward as a
7 deduction from income for the succeeding five (5) years. For taxable
8 years beginning after December 31, 2005, deductions may be taken for
9 contributions and rollovers made during a taxable year and up to April
10 15 of the succeeding year, or the due date of a taxpayer's state income
11 tax return, excluding extensions, whichever is later. Provided, a
12 deduction for the same contribution may not be taken for two (2)
13 different taxable years.

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

19 20. For taxable years beginning after December 31, 2006, retirement benefits
20 received by federal civil service retirees, including survivor annuities, paid in lieu of
21 Social Security benefits shall be exempt from taxable income to the extent such benefits

1 are included in the federal adjusted gross income pursuant to the provisions of Section 86
2 of the Internal Revenue Code, 26 U.S.C., Section 86, according to the following schedule:

- 3 a. in the taxable year beginning January 1, 2007, twenty percent (20%) of
4 such benefits shall be exempt,
- 5 b. in the taxable year beginning January 1, 2008, forty percent (40%) of
6 such benefits shall be exempt,
- 7 c. in the taxable year beginning January 1, 2009, sixty percent (60%) of
8 such benefits shall be exempt,
- 9 d. in the taxable year beginning January 1, 2010, eighty percent (80%) of
10 such benefits shall be exempt, and
- 11 e. in the taxable year beginning January 1, 2011, and subsequent taxable
12 years, one hundred percent (100%) of such benefits shall be exempt.

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

- 1 (2) the sale of stock or the sale of a direct or indirect ownership
2 interest in an Oklahoma company, limited liability company, or
3 partnership where such stock or ownership interest has been
4 directly or indirectly owned by the individual taxpayer for a
5 holding period of at least two (2) years prior to the date of the
6 transaction from which the net capital gains arise,
- 7 b. "holding period" means an uninterrupted period of time,
8 c. "Oklahoma company," "limited liability company," or "partnership"
9 means an entity whose primary headquarters have been located in
10 Oklahoma for at least three (3) uninterrupted years prior to the date of
11 the transaction from which the net capital gains arise,
12 d. "direct" means the individual taxpayer directly owns the asset, and
13 e. "indirect" means the individual taxpayer owns an interest in a pass-
14 through entity (or chain of pass-through entities) that sells the asset
15 that gives rise to the qualifying gains receiving capital treatment.
- 16 (1) With respect to sales of real or personal property located within
17 Oklahoma, the deduction described in this subsection shall not
18 apply unless the pass-through entity that makes the sale has
19 held the property for not less than five (5) uninterrupted years
20 prior to the date of the transaction that created the capital gain,
21 and each pass-through entity included in the chain of ownership
22 has been a member, partner, or shareholder of the pass-through

1 entity in the tier immediately below it for an uninterrupted
2 period of not less than five (5) years.

3 (2) With respect to sales of stock or ownership interest in an
4 Oklahoma company, limited liability company, or partnership,
5 the deduction described in this subsection shall not apply unless
6 the pass-through entity that makes the sale has held the stock
7 or ownership interest for not less than two (2) uninterrupted
8 years prior to the date of the transaction that created the capital
9 gain, and each pass-through entity included in the chain of
10 ownership has been a member, partner or shareholder of the
11 pass-through entity in the tier immediately below it for an
12 uninterrupted period of not less than two (2) years. For
13 purposes of this division, uninterrupted ownership prior to the
14 effective date of this act shall be included in the determination
15 of the required holding period prescribed by this division.

16 SECTION 6. This act shall become effective November 1, 2007.

17 COMMITTEE REPORT BY: COMMITTEE ON PUBLIC HEALTH, dated 04-17-07 - DO
18 PASS, As Amended.