

EHB 2693

1 THE STATE SENATE
2 Monday, April 7, 2008

3 ENGROSSED

4 House Bill No. 2693

5 As Amended

6 ENGROSSED HOUSE BILL NO. 2693 - By: Roan, Hickman, Turner, Brown,
7 Hilliard, Hoskin, Kiesel and Faught of the House and Paddack of the
8 Senate.

9 [public health and safety - payment of death benefit to
10 certain beneficiaries of emergency medical technicians -
11 codification - effective date -

12 emergency]

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

14 SECTION 1. NEW LAW A new section of law to be codified
15 in the Oklahoma Statutes as Section 1-2505.1 of Title 63, unless
16 there is created a duplication in numbering, reads as follows:

17 A. In the event of the death of an emergency medical technician
18 resulting from the official duties of such emergency medical
19 technician performed while in the line of duty, the State Department
20 of Health shall pay the designated beneficiary of the technician the
21 sum of Five Thousand Dollars (\$5,000.00).

22 B. If the designated beneficiary predeceases the emergency
23 medical technician and there is not an alternate or contingent
24 beneficiary, the death benefit shall be payable to the personal
25 representative of the decedent.

1 C. All payments made pursuant to the provisions of this section
2 shall be paid from the Emergency Medical Technician Death Benefit
3 Revolving Fund created pursuant to Section 2 of this act.

4 SECTION 2. NEW LAW A new section of law to be codified
5 in the Oklahoma Statutes as Section 1-2505.2 of Title 63, unless
6 there is created a duplication in numbering, reads as follows:

7 There is hereby created in the State Treasury a revolving fund
8 for the State Department of Health to be designated the "Emergency
9 Medical Technician Death Benefit Revolving Fund". The fund shall be
10 a continuing fund, not subject to fiscal year limitations, and shall
11 consist of all monies received by the State Department of Health
12 from the fee imposed pursuant to Section 3 of this act. All monies
13 accruing to the credit of said fund are hereby appropriated and may
14 be budgeted and expended by the State Department of Health for the
15 purpose of making death benefit payments to the named beneficiary or
16 personal representative of a deceased emergency medical technician
17 pursuant to Section 1 of this act. Expenditures from said fund
18 shall be made upon warrants issued by the State Treasurer against
19 claims filed as prescribed by law with the Director of State Finance
20 for approval and payment.

21 SECTION 3. NEW LAW A new section of law to be codified
22 in the Oklahoma Statutes as Section 1-2505.3 of Title 63, unless
23 there is created a duplication in numbering, reads as follows:

1 A. In addition to any other fee that may be authorized by law
2 or pursuant to administrative rule of the State Department of Health
3 effective July 1, 2008, there shall be imposed a fee of Ten Dollars
4 (\$10.00) for each original or renewal application for an emergency
5 medical technician. The provisions of this subsection shall cease
6 to have the force and effect of law on July 1, 2010.

7 B. The fee authorized by subsection A of this section shall be
8 apportioned to the Emergency Medical Technician Death Benefit
9 Revolving Fund created pursuant to Section 2 of this act.

10 SECTION 4. AMENDATORY 68 O.S. 2001, Section 2358, as
11 last amended by Section 37 of Enrolled Senate Bill No. 1830 of the
12 2nd Session of the 51st Oklahoma Legislature, is amended to read as
13 follows:

14 Section 2358. For all tax years beginning after December 31,
15 1981, taxable income and adjusted gross income shall be adjusted to
16 arrive at Oklahoma taxable income and Oklahoma adjusted gross income
17 as required by this section.

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

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

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

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

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

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

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

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

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

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

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

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

20 (2) for taxable years beginning after December 31,
21 2003, capital or ordinary gains or losses from
22 the sale of an ownership interest in a publicly
23 traded partnership, as defined by Section 7704(b)

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

1 (3) income from such property which is required to be
2 allocated pursuant to the provisions of paragraph
3 5 of this subsection shall be allocated as herein
4 provided;

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

10 d. In the case of a manufacturing or processing
11 enterprise the business of which in Oklahoma consists
12 solely of marketing its products by:

13 (1) sales having a situs without this state, shipped
14 directly to a point from without the state to a
15 purchaser within the state, commonly known as
16 interstate sales,

17 (2) sales of the product stored in public warehouses
18 within the state pursuant to "in transit"
19 tariffs, as prescribed and allowed by the
20 Interstate Commerce Commission, to a purchaser
21 within the state,

22 (3) sales of the product stored in public warehouses
23 within the state where the shipment to such

1 warehouses is not covered by "in transit"
2 tariffs, as prescribed and allowed by the
3 Interstate Commerce Commission, to a purchaser
4 within or without the state,

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

15 e. In the case of insurance companies, Oklahoma taxable
16 income shall be taxable income of the taxpayer for
17 federal tax purposes, as adjusted for the adjustments
18 provided pursuant to the provisions of paragraphs 1
19 and 2 of this subsection, apportioned as follows:

20 (1) except as otherwise provided by division (2) of
21 this subparagraph, taxable income of an insurance
22 company for a taxable year shall be apportioned
23 to this state by multiplying such income by a

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

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

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

22 5. The net income or loss remaining after the separate
23 allocation in paragraph 4 of this subsection, being that which is

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

1 percent (50%) of the apportionment factor. The apportionment
2 factors shall be computed as follows:

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

- 10 (1) Property, the income from which is separately
11 allocated in paragraph 4 of this subsection,
12 shall not be included in determining this
13 fraction. The numerator of the fraction shall
14 include a portion of the investment in
15 transportation and other equipment having no
16 fixed situs, such as rolling stock, buses, trucks
17 and trailers, including machinery and equipment
18 carried thereon, airplanes, salespersons'
19 automobiles and other similar equipment, in the
20 proportion that miles traveled in Oklahoma by
21 such equipment bears to total miles traveled,
22 (2) Property owned by the taxpayer is valued at its
23 original cost. Property rented by the taxpayer

1 is valued at eight times the net annual rental
2 rate. Net annual rental rate is the annual
3 rental rate paid by the taxpayer, less any annual
4 rental rate received by the taxpayer from
5 subrentals,

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

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

22 (1) In the case of a transportation enterprise, the
23 numerator of the fraction shall include a portion

1 of such expenditure in connection with employees
2 operating equipment over a fixed route, such as
3 railroad employees, airline pilots, or bus
4 drivers, in this state only a part of the time,
5 in the proportion that mileage traveled in
6 Oklahoma bears to total mileage traveled by such
7 employees,

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

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

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

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

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

1 Oklahoma bears to total interstate mileage
2 traveled.

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

17 (5) In the case of a telephone or telegraph or other
18 communication enterprise, the numerator of the
19 fraction shall include that portion of the
20 interstate revenue as is allocated pursuant to
21 the accounting procedures prescribed by the
22 Federal Communications Commission; provided that
23 in respect to each corporation or business entity

1 required by the Federal Communications Commission
2 to keep its books and records in accordance with
3 a uniform system of accounts prescribed by such
4 Commission, the intrastate net income shall be
5 determined separately in the manner provided by
6 such uniform system of accounts and only the
7 interstate income shall be subject to allocation
8 pursuant to the provisions of this subsection.
9 Provided further, that the gross revenue factors
10 shall be those as are determined pursuant to the
11 accounting procedures prescribed by the Federal
12 Communications Commission.

13 In any case where the apportionment of the three factors prescribed
14 in this paragraph attributes to Oklahoma a portion of net income of
15 the enterprise out of all appropriate proportion to the property
16 owned and/or business transacted within this state, because of the
17 fact that one or more of the factors so prescribed are not employed
18 to any appreciable extent in furtherance of the enterprise; or
19 because one or more factors not so prescribed are employed to a
20 considerable extent in furtherance of the enterprise; or because of
21 other reasons, the Tax Commission is empowered to permit, after a
22 showing by taxpayer that an excessive portion of net income has been
23 attributed to Oklahoma, or require, when in its judgment an

1 insufficient portion of net income has been attributed to Oklahoma,
2 the elimination, substitution, or use of additional factors, or
3 reduction or increase in the weight of such prescribed factors.
4 Provided, however, that any such variance from such prescribed
5 factors which has the effect of increasing the portion of net income
6 attributable to Oklahoma must not be inherently arbitrary, and
7 application of the recomputed final apportionment to the net income
8 of the enterprise must attribute to Oklahoma only a reasonable
9 portion thereof.

10 6. For calendar years 1997 and 1998, the owner of a new or
11 expanded agricultural commodity processing facility in this state
12 may exclude from Oklahoma taxable income, or in the case of an
13 individual, the Oklahoma adjusted gross income, fifteen percent
14 (15%) of the investment by the owner in the new or expanded
15 agricultural commodity processing facility. For calendar year 1999,
16 and all subsequent years, the percentage, not to exceed fifteen
17 percent (15%), available to the owner of a new or expanded
18 agricultural commodity processing facility in this state claiming
19 the exemption shall be adjusted annually so that the total estimated
20 reduction in tax liability does not exceed One Million Dollars
21 (\$1,000,000.00) annually. The Tax Commission shall promulgate rules
22 for determining the percentage of the investment which each eligible
23 taxpayer may exclude. The exclusion provided by this paragraph

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

12 For purposes of this paragraph:

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

- 1 b. "Facility" means each part of the facility which is
2 used in a process primarily for:
- 3 (1) the processing of agricultural commodities,
4 including receiving or storing agricultural
5 commodities, or the production of milk at a dairy
6 operation,
- 7 (2) transporting the agricultural commodities or
8 product before, during or after the processing,
9 or
- 10 (3) packaging or otherwise preparing the product for
11 sale or shipment.

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

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

1 8. In taxable years beginning after December 31, 1995, all
2 qualified wages equal to the federal income tax credit set forth in
3 26 U.S.C.A., Section 45A, shall be deducted from taxable income.
4 The deduction allowed pursuant to this paragraph shall only be
5 permitted for the tax years in which the federal tax credit pursuant
6 to 26 U.S.C.A., Section 45A, is allowed. For purposes of this
7 paragraph, "qualified wages" means those wages used to calculate the
8 federal credit pursuant to 26 U.S.C.A., Section 45A.

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

15 B. The taxable income of any corporation shall be further
16 adjusted to arrive at Oklahoma taxable income, except those
17 corporations electing treatment as provided in subchapter S of the
18 Internal Revenue Code, 26 U.S.C., Section 1361 et seq., and Section
19 2365 of this title, deductions pursuant to the provisions of the
20 Accelerated Cost Recovery System as defined and allowed in the
21 Economic Recovery Tax Act of 1981, Public Law 97-34, 26 U.S.C.,
22 Section 168, for depreciation of assets placed into service after
23 December 31, 1981, shall not be allowed in calculating Oklahoma

1 taxable income. Such corporations shall be allowed a deduction for
2 depreciation of assets placed into service after December 31, 1981,
3 in accordance with provisions of the Internal Revenue Code, 26
4 U.S.C., Section 1 et seq., in effect immediately prior to the
5 enactment of the Accelerated Cost Recovery System. The Oklahoma tax
6 basis for all such assets placed into service after December 31,
7 1981, calculated in this section shall be retained and utilized for
8 all Oklahoma income tax purposes through the final disposition of
9 such assets.

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

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

1 C. 1. For taxable years beginning after December 31, 1987, the
2 taxable income of any corporation shall be further adjusted to
3 arrive at Oklahoma taxable income for transfers of technology to
4 qualified small businesses located in Oklahoma. Such transferor
5 corporation shall be allowed an exemption from taxable income of an
6 amount equal to the amount of royalty payment received as a result
7 of such transfer; provided, however, such amount shall not exceed
8 ten percent (10%) of the amount of gross proceeds received by such
9 transferor corporation as a result of the technology transfer. Such
10 exemption shall be allowed for a period not to exceed ten (10) years
11 from the date of receipt of the first royalty payment accruing from
12 such transfer. No exemption may be claimed for transfers of
13 technology to qualified small businesses made prior to January 1,
14 1988.

15 2. For purposes of this subsection:

16 a. "Qualified small business" means an entity, whether
17 organized as a corporation, partnership, or
18 proprietorship, organized for profit with its
19 principal place of business located within this state
20 and which meets the following criteria:
21 (1) Capitalization of not more than Two Hundred Fifty
22 Thousand Dollars (\$250,000.00),

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

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

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

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

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

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

1 2. As used in this subsection:

2 a. "qualifying gains receiving capital treatment" means
3 the amount of net capital gains, as defined in Section
4 1222(11) of the Internal Revenue Code, included in the
5 federal income tax return of the corporation, estate
6 or trust that result from:

7 (1) the sale of real property or tangible personal
8 property located within Oklahoma that has been
9 directly or indirectly owned by the corporation,
10 estate or trust for a holding period of at least
11 five (5) years prior to the date of the
12 transaction from which such net capital gains
13 arise,

14 (2) the sale of stock or on the sale of an ownership
15 interest in an Oklahoma company, limited
16 liability company, or partnership where such
17 stock or ownership interest has been directly or
18 indirectly owned by the corporation, estate or
19 trust for a holding period of at least three (3)
20 years prior to the date of the transaction from
21 which the net capital gains arise, or

22 (3) the sale of real property, tangible personal
23 property or intangible personal property located

1 within Oklahoma as part of the sale of all or
2 substantially all of the assets of an Oklahoma
3 company, limited liability company, or
4 partnership where such property has been directly
5 or indirectly owned by such entity owned by the
6 owners of such entity, and used in or derived
7 from such entity for a period of at least three
8 (3) years prior to the date of the transaction
9 from which the net capital gains arise,

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

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

22 d. "direct" means the taxpayer directly owns the asset,
23 and

1 e. "indirect" means the taxpayer owns an interest in a
2 pass-through entity (or chain of pass-through
3 entities) that sells the asset that gives rise to the
4 qualifying gains receiving capital treatment.

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

18 (2) With respect to sales of stock or ownership
19 interest in or sales of all or substantially all
20 of the assets of an Oklahoma company, limited
21 liability company, or partnership, the deduction
22 described in this subsection shall not apply
23 unless the pass-through entity that makes the

1 sale has held the stock or ownership interest or
2 the assets for not less than three (3)
3 uninterrupted years prior to the date of the
4 transaction that created the capital gain, and
5 each pass-through entity included in the chain of
6 ownership has been a member, partner or
7 shareholder of the pass-through entity in the
8 tier immediately below it for an uninterrupted
9 period of not less than three (3) years.

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

13 1. a. In the case of individuals, there shall be added or
14 deducted, as the case may be, the difference necessary
15 to allow personal exemptions of One Thousand Dollars
16 (\$1,000.00) in lieu of the personal exemptions allowed
17 by the Internal Revenue Code.

18 b. There shall be allowed an additional exemption of One
19 Thousand Dollars (\$1,000.00) for each taxpayer or
20 spouse who is blind at the close of the tax year. For
21 purposes of this subparagraph, an individual is blind
22 only if the central visual acuity of the individual
23 does not exceed 20/200 in the better eye with

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

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

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

22 Provided, for taxable years beginning after December
23 31, 1999, amounts included in the calculation of

1 federal adjusted gross income pursuant to the
2 conversion of a traditional individual retirement
3 account to a Roth individual retirement account shall
4 be excluded from federal adjusted gross income for
5 purposes of the income thresholds provided in this
6 subparagraph.

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

16 2. a. For taxable years beginning on or before December 31,
17 2005, in the case of individuals who use the standard
18 deduction in determining taxable income, there shall
19 be added or deducted, as the case may be, the
20 difference necessary to allow a standard deduction in
21 lieu of the standard deduction allowed by the Internal
22 Revenue Code, in an amount equal to the larger of
23 fifteen percent (15%) of the Oklahoma adjusted gross

1 income or One Thousand Dollars (\$1,000.00), but not to
2 exceed Two Thousand Dollars (\$2,000.00), except that
3 in the case of a married individual filing a separate
4 return such deduction shall be the larger of fifteen
5 percent (15%) of such Oklahoma adjusted gross income
6 or Five Hundred Dollars (\$500.00), but not to exceed
7 the maximum amount of One Thousand Dollars
8 (\$1,000.00),

9 b. For taxable years beginning on or after January 1,
10 2006, and before January 1, 2007, in the case of
11 individuals who use the standard deduction in
12 determining taxable income, there shall be added or
13 deducted, as the case may be, the difference necessary
14 to allow a standard deduction in lieu of the standard
15 deduction allowed by the Internal Revenue Code, in an
16 amount equal to:

17 (1) Three Thousand Dollars (\$3,000.00), if the filing
18 status is married filing joint, head of household
19 or qualifying widow; or

20 (2) Two Thousand Dollars (\$2,000.00), if the filing
21 status is single or married filing separate.

22 c. For the taxable year beginning on January 1, 2007, and
23 ending December 31, 2007, in the case of individuals

1 who use the standard deduction in determining taxable
2 income, there shall be added or deducted, as the case
3 may be, the difference necessary to allow a standard
4 deduction in lieu of the standard deduction allowed by
5 the Internal Revenue Code, in an amount equal to:

6 (1) Five Thousand Five Hundred Dollars (\$5,500.00),
7 if the filing status is married filing joint or
8 qualifying widow; or

9 (2) Four Thousand One Hundred Twenty-five Dollars
10 (\$4,125.00) for a head of household; or

11 (3) Two Thousand Seven Hundred Fifty Dollars
12 (\$2,750.00), if the filing status is single or
13 married filing separate.

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

21 (1) Six Thousand Five Hundred Dollars (\$6,500.00), if
22 the filing status is married filing joint or
23 qualifying widow, or

- 1 (2) Four Thousand Eight Hundred Seventy-five Dollars
2 (\$4,875.00) for a head of household, or
3 (3) Three Thousand Two Hundred Fifty Dollars
4 (\$3,250.00), if the filing status is single or
5 married filing separate.
- 6 e. For the taxable year beginning on January 1, 2009, and
7 ending December 31, 2009, in the case of individuals
8 who use the standard deduction in determining taxable
9 income, there shall be added or deducted, as the case
10 may be, the difference necessary to allow a standard
11 deduction in lieu of the standard deduction allowed by
12 the Internal Revenue Code, in an amount equal to:
- 13 (1) Eight Thousand Five Hundred Dollars (\$8,500.00),
14 if the filing status is married filing joint or
15 qualifying widow, or
16 (2) Six Thousand Three Hundred Seventy-five Dollars
17 (\$6,375.00) for a head of household, or
18 (3) Four Thousand Two Hundred Fifty Dollars
19 (\$4,250.00), if the filing status is single or
20 married filing separate.
- 21 f. For taxable years beginning on or after January 1,
22 2010, in the case of individuals who use the standard
23 deduction in determining taxable income, there shall

1 be added or deducted, as the case may be, the
2 difference necessary to allow a standard deduction
3 equal to the standard deduction allowed by the
4 Internal Revenue Code of 1986, as amended, based upon
5 the amount and filing status prescribed by such Code
6 for purposes of filing federal individual income tax
7 returns.

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

21 4. A resident individual with a physical disability
22 constituting a substantial handicap to employment may deduct from
23 Oklahoma adjusted gross income such expenditures to modify a motor

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

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

- 19 a. absence from the United States, which term includes
20 only the states and the District of Columbia;
21 b. absence from the State of Oklahoma while on active
22 duty; or

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

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

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

18 Provided, that the Tax Commission may, in its discretion, grant any
19 member of the Armed Forces of the United States an extension of time
20 for filing of income tax returns and payment of income tax without
21 incurring liabilities for interest or penalties. Such extension may
22 be granted only when in the judgment of the Tax Commission a good
23 cause exists therefor and may be for a period in excess of six (6)

1 months. A record of every such extension granted, and the reason
2 therefor, shall be kept.

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

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

1 Dollars (\$100.00) per individual or Two Hundred Dollars (\$200.00)
2 per couple filing a joint return.

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

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

16 c. For the purpose of this paragraph, "federal income
17 taxes paid" shall mean federal income taxes, surtaxes
18 imposed on incomes or excess profits taxes, as though
19 the taxpayer was on the accrual basis. In determining
20 the amount of deduction for federal income taxes for
21 tax year 2001, the amount of the deduction shall not
22 be adjusted by the amount of any accelerated ten
23 percent (10%) tax rate bracket credit or advanced

1 refund of the credit received during the tax year
2 provided pursuant to the federal Economic Growth and
3 Tax Relief Reconciliation Act of 2001, P.L. No. 107-
4 16, and the advanced refund of such credit shall not
5 be subject to taxation.

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

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

1 101 et seq. of Title 11 of the Oklahoma Statutes shall be exempt
2 from taxable income.

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

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

22 12. In taxable years beginning after December 31, 1995,
23 contributions made to and interest received from a medical savings

1 account established pursuant to Sections 2621 through 2623 of Title
2 63 of the Oklahoma Statutes shall be exempt from taxable income.

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

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

- 1 b. The deductions for adoptions and proposed adoptions
2 authorized by this paragraph shall not exceed Twenty
3 Thousand Dollars (\$20,000.00) per calendar year.
- 4 c. The Tax Commission shall promulgate rules to implement
5 the provisions of this paragraph which shall contain a
6 specific list of nonrecurring adoption expenses which
7 may be presumed to qualify for the deduction. The Tax
8 Commission shall prescribe necessary requirements for
9 verification.
- 10 d. "Nonrecurring adoption expenses" means adoption fees,
11 court costs, medical expenses, attorney fees and
12 expenses which are directly related to the legal
13 process of adoption of a child including, but not
14 limited to, costs relating to the adoption study,
15 health and psychological examinations, transportation
16 and reasonable costs of lodging and food for the child
17 or adoptive parents which are incurred to complete the
18 adoption process and are not reimbursed by other
19 sources. The term "nonrecurring adoption expenses"
20 shall not include attorney fees incurred for the
21 purpose of litigating a contested adoption, from and
22 after the point of the initiation of the contest,
23 costs associated with physical remodeling, renovation

1 and alteration of the adoptive parents' home or
2 property, except for a special needs child as
3 authorized by the court.

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

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

22 (1) in taxable years beginning after December 31,
23 2004, and prior to January 1, 2007, the

1 qualifying amount shall be Thirty-seven Thousand
2 Five Hundred Dollars (\$37,500.00) or less if the
3 filing status is single, head of household, or
4 married filing separate, or Seventy-Five Thousand
5 Dollars (\$75,000.00) or less if the filing status
6 is married filing jointly or qualifying widow,

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

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

22 (4) in the taxable year beginning January 1, 2009,
23 the qualifying amount shall be One Hundred

1 Thousand Dollars (\$100,000.00) or less if the
2 filing status is single, head of household, or
3 married filing separate, or Two Hundred Thousand
4 Dollars (\$200,000.00) or less if the filing
5 status is married filing jointly or qualifying
6 widow, and

7 (5) in the taxable year beginning January 1, 2010,
8 and subsequent taxable years, there shall be no
9 limitation upon the qualifying amount.

10 c. For purposes of this paragraph, "retirement benefits"
11 means the total distributions or withdrawals from the
12 following:

13 (1) an employee pension benefit plan which satisfies
14 the requirements of Section 401 of the Internal
15 Revenue Code, 26 U.S.C., Section 401,

16 (2) an eligible deferred compensation plan that
17 satisfies the requirements of Section 457 of the
18 Internal Revenue Code, 26 U.S.C., Section 457,

19 (3) an individual retirement account, annuity or
20 trust or simplified employee pension that
21 satisfies the requirements of Section 408 of the
22 Internal Revenue Code, 26 U.S.C., Section 408,

- 1 (4) an employee annuity subject to the provisions of
2 Section 403(a) or (b) of the Internal Revenue
3 Code, 26 U.S.C., Section 403(a) or (b),
4 (5) United States Retirement Bonds which satisfy the
5 requirements of Section 86 of the Internal
6 Revenue Code, 26 U.S.C., Section 86, or
7 (6) lump-sum distributions from a retirement plan
8 which satisfies the requirements of Section
9 402(e) of the Internal Revenue Code, 26 U.S.C.,
10 Section 402(e).

11 d. The amount of the exemption provided by this paragraph
12 shall be limited to Five Thousand Five Hundred Dollars
13 (\$5,500.00) for the 2004 tax year, Seven Thousand Five
14 Hundred Dollars (\$7,500.00) for the 2005 tax year and
15 Ten Thousand Dollars (\$10,000.00) for the tax year
16 2006 and for all subsequent tax years. Any individual
17 who claims the exemption provided for in paragraph 9
18 of this subsection shall not be permitted to claim a
19 combined total exemption pursuant to this paragraph
20 and paragraph 9 of this subsection in an amount
21 exceeding Five Thousand Five Hundred Dollars
22 (\$5,500.00) for the 2004 tax year, Seven Thousand Five
23 Hundred Dollars (\$7,500.00) for the 2005 tax year and

1 Ten Thousand Dollars (\$10,000.00) for the 2006 tax
2 year and all subsequent tax years.

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

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

16 18. a. In taxable years beginning after December 31, 2001,
17 and before January 1, 2005, there shall be allowed a
18 deduction in the amount of contributions to accounts
19 established pursuant to the Oklahoma College Savings
20 Plan Act. The deduction shall equal the amount of
21 contributions to accounts, but in no event shall the
22 deduction for each contributor exceed Two Thousand

1 Five Hundred Dollars (\$2,500.00) each taxable year for
2 each account.

3 b. In taxable years beginning after December 31, 2004,
4 each taxpayer shall be allowed a deduction for
5 contributions to accounts established pursuant to the
6 Oklahoma College Savings Plan Act. The maximum annual
7 deduction shall equal the amount of contributions to
8 all such accounts plus any contributions to such
9 accounts by the taxpayer for prior taxable years after
10 December 31, 2004, which were not deducted, but in no
11 event shall the deduction for each tax year exceed Ten
12 Thousand Dollars (\$10,000.00) for each individual
13 taxpayer or Twenty Thousand Dollars (\$20,000.00) for
14 taxpayers filing a joint return. Any amount of a
15 contribution that is not deducted by the taxpayer in
16 the year for which the contribution is made may be
17 carried forward as a deduction from income for the
18 succeeding five (5) years. For taxable years
19 beginning after December 31, 2005, deductions may be
20 taken for contributions and rollovers made during a
21 taxable year and up to April 15 of the succeeding
22 year, or the due date of a taxpayer's state income tax
23 return, excluding extensions, whichever is later.

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

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

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

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

22 d. If a taxpayer elects to take a rollover on a
23 contribution for which a deduction has been taken

1 pursuant to subparagraph b of this paragraph within
2 one year of the date of contribution, the amount of
3 such rollover shall be included in the adjusted gross
4 income of the taxpayer in the taxable year of the
5 rollover.

6 e. If a taxpayer makes a non-qualified withdrawal of
7 contributions for which a deduction was taken pursuant
8 to subparagraph b of this paragraph, such non-
9 qualified withdrawal and any earnings thereon shall be
10 included in the adjusted gross income of the taxpayer
11 in the taxable year of the non-qualified withdrawal.

12 f. As used in this paragraph:

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

16 (a) a qualified withdrawal,

17 (b) a withdrawal made as a result of the death
18 or disability of the designated beneficiary
19 of an account,

20 (c) a withdrawal that is made on the account of
21 a scholarship or the allowance or payment
22 described in Section 135(d)(1)(B) or (C) or
23 by the Internal Revenue Code, received by

1 the designated beneficiary to the extent the
2 amount of the refund does not exceed the
3 amount of the scholarship, allowance, or
4 payment, or

5 (d) a rollover or change of designated
6 beneficiary as permitted by subsection F of
7 Section 3970.7 of Title 70 of Oklahoma
8 Statutes, and

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

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

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

1 to the provisions of Section 86 of the Internal Revenue Code, 26
2 U.S.C., Section 86, according to the following schedule:

- 3 a. in the taxable year beginning January 1, 2007, twenty
4 percent (20%) of such benefits shall be exempt,
 - 5 b. in the taxable year beginning January 1, 2008, forty
6 percent (40%) of such benefits shall be exempt,
 - 7 c. in the taxable year beginning January 1, 2009, sixty
8 percent (60%) of such benefits shall be exempt,
 - 9 d. in the taxable year beginning January 1, 2010, eighty
10 percent (80%) of such benefits shall be exempt, and
 - 11 e. in the taxable year beginning January 1, 2011, and
12 subsequent taxable years, one hundred percent (100%)
13 of such benefits shall be exempt.
- 14 21. a. For taxable years beginning after December 31, 2007, a
15 resident individual may deduct up to Ten Thousand
16 Dollars (\$10,000.00) from Oklahoma adjusted gross
17 income if the individual, or the dependent of the
18 individual, while living, donates one or more human
19 organs of the individual to another human being for
20 human organ transplantation. As used in this
21 paragraph, "human organ" means all or part of a liver,
22 pancreas, kidney, intestine, lung, or bone marrow. A
23 deduction that is claimed under this paragraph may be

1 claimed in the taxable year in which the human organ
2 transplantation occurs.

3 b. An individual may claim this deduction only once, and
4 the deduction may be claimed only for unreimbursed
5 expenses that are incurred by the individual and
6 related to the organ donation of the individual.

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

13 22. For taxable years beginning after December 31, 2008, there
14 shall be exempt from taxable income any amount received by the
15 beneficiary of the death benefit for an emergency medical technician
16 provided by Section 1 of this act.

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

22 2. As used in this subsection:

1 a. "qualifying gains receiving capital treatment" means
2 the amount of net capital gains, as defined in Section
3 1222(11) of the Internal Revenue Code, included in an
4 individual taxpayer's federal income tax return that
5 result from:

6 (1) the sale of real property or tangible personal
7 property located within Oklahoma that has been
8 directly or indirectly owned by the individual
9 taxpayer for a holding period of at least five
10 (5) years prior to the date of the transaction
11 from which such net capital gains arise,

12 (2) the sale of stock or the sale of a direct or
13 indirect ownership interest in an Oklahoma
14 company, limited liability company, or
15 partnership where such stock or ownership
16 interest has been directly or indirectly owned by
17 the individual taxpayer for a holding period of
18 at least two (2) years prior to the date of the
19 transaction from which the net capital gains
20 arise, or

21 (3) the sale of real property, tangible personal
22 property or intangible personal property located
23 within Oklahoma as part of the sale of all or

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

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

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

1 d. "direct" means the individual taxpayer directly owns
2 the asset,
3 e. "indirect" means the individual taxpayer owns an
4 interest in a pass-through entity (or chain of pass-
5 through entities) that sells the asset that gives rise
6 to the qualifying gains receiving capital treatment.
7 (1) With respect to sales of real property or
8 tangible personal property located within
9 Oklahoma, the deduction described in this
10 subsection shall not apply unless the pass-
11 through entity that makes the sale has held the
12 property for not less than five (5) uninterrupted
13 years prior to the date of the transaction that
14 created the capital gain, and each pass-through
15 entity included in the chain of ownership has
16 been a member, partner, or shareholder of the
17 pass-through entity in the tier immediately below
18 it for an uninterrupted period of not less than
19 five (5) years.
20 (2) With respect to sales of stock or ownership
21 interest in or sales of all or substantially all
22 of the assets of an Oklahoma company, limited
23 liability company, partnership or Oklahoma

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

17 f. "Oklahoma proprietorship business enterprise" means a
18 business enterprise whose income and expenses have
19 been reported on Schedule C or F of an individual
20 taxpayer's federal income tax return, or any similar
21 successor schedule published by the Internal Revenue
22 Service and whose primary headquarters have been
23 located in Oklahoma for at least three (3)

1 uninterrupted years prior to the date of the
2 transaction from which the net capital gains arise.

3 SECTION 5. This act shall become effective July 1, 2008.

4 SECTION 6. It being immediately necessary for the preservation
5 of the public peace, health and safety, an emergency is hereby
6 declared to exist, by reason whereof this act shall take effect and
7 be in full force from and after its passage and approval.

8 COMMITTEE REPORT BY: COMMITTEE ON APPROPRIATIONS, dated 4-2-08 - DO
9 PASS, As Amended.