

1 STATE OF OKLAHOMA

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

3 HOUSE BILL 1386

By: Terrill

4  
5  
6 AS INTRODUCED

7 An Act relating to revenue and taxation; amending 68  
8 O.S. 2001, Section 2355, as last amended by Section  
9 3, Chapter 42, 2nd Extraordinary Session, O.S.L. 2006  
10 (68 O.S. Supp. 2006, Section 2355), which relates to  
the imposition of income tax and corporations;  
modifying rates applicable to corporations; and  
providing an effective date.

11  
12  
13  
14 BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

15 SECTION 1. AMENDATORY 68 O.S. 2001, Section 2355, as  
16 last amended by Section 3, Chapter 42, 2nd Extraordinary Session,  
17 O.S.L. 2006 (68 O.S. Supp. 2006, Section 2355), is amended to read  
18 as follows:

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

24 1. METHOD 1.

- 1 a. Single individuals and married individuals filing  
2 separately not deducting federal income tax:
- 3 (1) 1/2% tax on first \$1,000.00 or part thereof,  
4 (2) 1% tax on next \$1,500.00 or part thereof,  
5 (3) 2% tax on next \$1,250.00 or part thereof,  
6 (4) 3% tax on next \$1,150.00 or part thereof,  
7 (5) 4% tax on next \$1,300.00 or part thereof,  
8 (6) 5% tax on next \$1,500.00 or part thereof,  
9 (7) 6% tax on next \$2,300.00 or part thereof, and  
10 (8) (a) for taxable years beginning after December  
11 31, 1998, and before January 1, 2002, 6.75%  
12 tax on the remainder,  
13 (b) for taxable years beginning on or after  
14 January 1, 2002, and before January 1, 2004,  
15 7% tax on the remainder, and  
16 (c) for taxable years beginning on or after  
17 January 1, 2004, 6.65% tax on the remainder.
- 18 b. Married individuals filing jointly and surviving  
19 spouse to the extent and in the manner that a  
20 surviving spouse is permitted to file a joint return  
21 under the provisions of the Internal Revenue Code and  
22 heads of households as defined in the Internal Revenue  
23 Code not deducting federal income tax:  
24 (1) 1/2% tax on first \$2,000.00 or part thereof,

- 1 (2) 1% tax on next \$3,000.00 or part thereof,  
2 (3) 2% tax on next \$2,500.00 or part thereof,  
3 (4) 3% tax on next \$2,300.00 or part thereof,  
4 (5) 4% tax on next \$2,400.00 or part thereof,  
5 (6) 5% tax on next \$2,800.00 or part thereof,  
6 (7) 6% tax on next \$6,000.00 or part thereof, and  
7 (8) (a) for taxable years beginning after December  
8 31, 1998, and before January 1, 2002, 6.75%  
9 tax on the remainder,  
10 (b) for taxable years beginning on or after  
11 January 1, 2002, and before January 1, 2004,  
12 7% tax on the remainder, and  
13 (c) for taxable years beginning on or after  
14 January 1, 2004, 6.65% tax on the remainder.

15 2. METHOD 2.

16 a. Single individuals and married individuals filing  
17 separately deducting federal income tax:

- 18 (1) 1/2% tax on first \$1,000.00 or part thereof,  
19 (2) 1% tax on next \$1,500.00 or part thereof,  
20 (3) 2% tax on next \$1,250.00 or part thereof,  
21 (4) 3% tax on next \$1,150.00 or part thereof,  
22 (5) 4% tax on next \$1,200.00 or part thereof,  
23 (6) 5% tax on next \$1,400.00 or part thereof,  
24 (7) 6% tax on next \$1,500.00 or part thereof,

- 1 (8) 7% tax on next \$1,500.00 or part thereof,
- 2 (9) 8% tax on next \$2,000.00 or part thereof,
- 3 (10) 9% tax on next \$3,500.00 or part thereof, and
- 4 (11) 10% tax on the remainder.

5 b. Married individuals filing jointly and surviving  
6 spouse to the extent and in the manner that a  
7 surviving spouse is permitted to file a joint return  
8 under the provisions of the Internal Revenue Code and  
9 heads of households as defined in the Internal Revenue  
10 Code deducting federal income tax:

- 11 (1) 1/2% tax on the first \$2,000.00 or part thereof,
- 12 (2) 1% tax on the next \$3,000.00 or part thereof,
- 13 (3) 2% tax on the next \$2,500.00 or part thereof,
- 14 (4) 3% tax on the next \$1,400.00 or part thereof,
- 15 (5) 4% tax on the next \$1,500.00 or part thereof,
- 16 (6) 5% tax on the next \$1,600.00 or part thereof,
- 17 (7) 6% tax on the next \$1,250.00 or part thereof,
- 18 (8) 7% tax on the next \$1,750.00 or part thereof,
- 19 (9) 8% tax on the next \$3,000.00 or part thereof,
- 20 (10) 9% tax on the next \$6,000.00 or part thereof, and
- 21 (11) 10% tax on the remainder.

22 B. Individuals. For all taxable years beginning on or after  
23 January 1, 2006, a tax is hereby imposed upon the Oklahoma taxable  
24

1 income of every resident or nonresident individual, which tax shall  
2 be computed as follows:

3 1. Single individuals and married individuals filing  
4 separately:

5 (a) 1/2% tax on first \$1,000.00 or part thereof,

6 (b) 1% tax on next \$1,500.00 or part thereof,

7 (c) 2% tax on next \$1,250.00 or part thereof,

8 (d) 3% tax on next \$1,150.00 or part thereof,

9 (e) 4% tax on next \$2,300.00 or part thereof,

10 (f) 5% tax on next \$1,500.00 or part thereof,

11 (g) 6.25% tax on the remainder for the 2006 tax year,

12 (h) 5.65% tax on the remainder for the 2007 tax year,

13 (i) 5.55% tax on the remainder for the 2008 tax year,

14 (j) 5.50% tax on the remainder for the 2009 tax year and

15 any subsequent tax year unless the rate prescribed by

16 subparagraph (k) of this paragraph is in effect, and

17 (k) 5.25% tax on the remainder for the 2010 and subsequent

18 tax years. The decrease in the top marginal

19 individual income tax rate otherwise authorized by

20 this subparagraph shall be contingent upon the

21 determination required to be made by the State Board

22 of Equalization pursuant to Section ~~3~~ 2355.1A of this

23 ~~act~~ title.

24

1           2. Married individuals filing jointly and surviving spouse to  
2 the extent and in the manner that a surviving spouse is permitted to  
3 file a joint return under the provisions of the Internal Revenue  
4 Code and heads of households as defined in the Internal Revenue  
5 Code:

- 6           (a) 1/2% tax on first \$2,000.00 or part thereof,
- 7           (b) 1% tax on next \$3,000.00 or part thereof,
- 8           (c) 2% tax on next \$2,500.00 or part thereof,
- 9           (d) 3% tax on next \$2,300.00 or part thereof,
- 10          (e) 4% tax on next \$2,400.00 or part thereof,
- 11          (f) 5% tax on next \$2,800.00 or part thereof,
- 12          (g) 6.25% tax on the remainder for the 2006 tax year,
- 13          (h) 5.65% tax on the remainder for the 2007 tax year,
- 14          (i) 5.55% tax on the remainder for the 2008 tax year,
- 15          (j) 5.50% tax on the remainder for the 2009 tax year and  
16             any subsequent tax year unless the rate prescribed by  
17             subparagraph (k) of this paragraph is in effect, and
- 18          (k) 5.25% tax on the remainder for the 2010 and subsequent  
19             tax years. The decrease in the top marginal  
20             individual income tax rate otherwise authorized by  
21             this subparagraph shall be contingent upon the  
22             determination required to be made by the State Board  
23             of Equalization pursuant to Section ~~3~~ 2355.1A of this  
24             act title.

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

3 C. Nonresident aliens. In lieu of the rates set forth in  
4 subsection A B above, there shall be imposed on nonresident aliens,  
5 as defined in the Internal Revenue Code, a tax of eight percent (8%)  
6 instead of thirty percent (30%) as used in the Internal Revenue  
7 Code, with respect to the Oklahoma taxable income of such  
8 nonresident aliens as determined under the provision of the Oklahoma  
9 Income Tax Act.

10 Every payer of amounts covered by this subsection shall deduct  
11 and withhold from such amounts paid each payee an amount equal to  
12 eight percent (8%) thereof. Every payer required to deduct and  
13 withhold taxes under this subsection shall for each quarterly period  
14 on or before the last day of the month following the close of each  
15 such quarterly period, pay over the amount so withheld as taxes to  
16 the Tax Commission, and shall file a return with each such payment.  
17 Such return shall be in such form as the Tax Commission shall  
18 prescribe. Every payer required under this subsection to deduct and  
19 withhold a tax from a payee shall, as to the total amounts paid to  
20 each payee during the calendar year, furnish to such payee, on or  
21 before January 31, of the succeeding year, a written statement  
22 showing the name of the payer, the name of the payee and the payee's  
23 social security account number, if any, the total amount paid  
24 subject to taxation, and the total amount deducted and withheld as

1 tax and such other information as the Tax Commission may require.  
2 Any payer who fails to withhold or pay to the Tax Commission any  
3 sums herein required to be withheld or paid shall be personally and  
4 individually liable therefor to the State of Oklahoma.

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

11 There shall be no additional Oklahoma income tax imposed on  
12 accumulated taxable income or on undistributed personal holding  
13 company income as those terms are defined in the Internal Revenue  
14 Code.

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

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

22 2. For corporations with Oklahoma taxable income for the year  
23 of Ten Thousand Dollars (\$10,000.00) or more, but less than Fifty  
24

1 Thousand Dollars (\$50,000.00), the tax rate shall be one percent  
2 (1%);

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

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

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

14 E. Certain foreign corporations. In lieu of the tax imposed in  
15 ~~the first paragraph of~~ subsection € D of this section, for all  
16 taxable years beginning after December 31, 1989, and before January  
17 1, 2008, there shall be imposed on foreign corporations, as defined  
18 in the Internal Revenue Code, a tax of six percent (6%) instead of  
19 thirty percent (30%) as used in the Internal Revenue Code, where  
20 such income is received from sources within Oklahoma, in accordance  
21 with the provisions of the Internal Revenue Code and the Oklahoma  
22 Income Tax Act. In lieu of the tax imposed pursuant to subsection D  
23 of this section, for all taxable years beginning on or after January  
24 1, 2008, a tax is hereby imposed upon the Oklahoma taxable income of

1 foreign corporations, as defined in the Internal Revenue Code of  
2 1986, as amended, a tax in the following amounts, where such income  
3 is received from sources within Oklahoma, in accordance with the  
4 provisions of the Internal Revenue Code and the Oklahoma Income Tax  
5 Act:

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

9 2. For corporations with Oklahoma taxable income for the year  
10 of Ten Thousand Dollars (\$10,000.00) or more, but less than Fifty  
11 Thousand Dollars (\$50,000.00), the tax rate shall be one percent  
12 (1%);

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

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

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

24

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

21        F. Fiduciaries. A tax is hereby imposed upon the Oklahoma  
22 taxable income of every trust and estate at the same rates as are  
23 provided in subsection B of this section for single individuals.

24

1 Fiduciaries are not allowed a deduction for any federal income tax  
2 paid.

3 G. Tax rate tables. For all taxable years beginning after  
4 December 31, 1991, in lieu of the tax imposed by subsection A or B  
5 of this section, as applicable there is hereby imposed for each  
6 taxable year on the taxable income of every individual, whose  
7 taxable income for such taxable year does not exceed the ceiling  
8 amount, a tax determined under tables, applicable to such taxable  
9 year which shall be prescribed by the Tax Commission and which shall  
10 be in such form as it determines appropriate. In the table so  
11 prescribed, the amounts of the tax shall be computed on the basis of  
12 the rates prescribed by subsections A and B of this section. For  
13 purposes of this subsection, the term "ceiling amount" means, with  
14 respect to any taxpayer, the amount determined by the Tax Commission  
15 for the tax rate category in which such taxpayer falls.

16 SECTION 2. This act shall become effective January 1, 2008.

17  
18 51-1-5498 MAH 01/16/07  
19  
20  
21  
22  
23  
24