

1 STATE OF OKLAHOMA

2 2nd Session of the 51st Legislature (2008)

3 SENATE BILL 2024

By: Mazzei

4
5
6 AS INTRODUCED

7 An Act relating to tax incentives; amending 8 O.S.
8 2001, Section 17, which relates to cemetery
corporations; eliminating tax exemption for such
9 corporations after certain date; amending 27A O.S.
10 2001, Section 2-11-303, which relates to the
Recycling, Reuse and Ultimate Destruction Incentive
11 Act; eliminating tax credit for investment in
specified equipment and installation of processes
12 after certain date; updating references; amending 36
O.S. 2001, Sections 2017, 2040, 2617, as amended by
13 Section 56, Chapter 264, O.S.L. 2006, 2665, 2685,
2691.15, 2724.1, 6150 and 6606 (36 O.S. Supp. 2007,
14 Section 2617), which relate to insurance; eliminating
specified fee and tax exemption related to the
15 Oklahoma Property and Casualty Insurance Guaranty
Association Act after certain date; clarifying tax to
16 be levied after certain date; eliminating specified
fee and tax exemption related to the Oklahoma Life
17 and Health Insurance Guaranty Association Act after
certain date; clarifying tax to be levied after
18 certain date; providing that nonprofit hospital
service and medical indemnity corporations be subject
19 to sales tax after certain date; providing that
nonprofit optometric service and medical indemnity
20 corporations be subject to sales tax after certain
date; providing that nonprofit dental service
21 corporations be subject to sales tax after certain
date; providing that fraternal benefit societies be
22 subject to sales tax after certain date; updating
reference; eliminating the ability for prepaid dental
23 plan organization to offset certain tax through
payment of income tax after certain date; updating
24 references; eliminating tax exemption for securities

1 deposited with the Insurance Commissioner pursuant to
2 the Service Warranty Insurance Act after certain
3 date; amending 37 O.S. 2001, Section 163.3, as
4 amended by Section 1, Chapter 484, O.S.L. 2003 (37
5 O.S. Supp. 2007, Section 163.3), which relates to
6 intoxicating liquors; eliminating exemption from
7 sales and use tax for certain machinery and equipment
8 after certain date; amending 62 O.S. 2001, Section
9 690.4, which relates to public finance; eliminating
10 certain tax credits and sales tax exemptions provided
11 under the Oklahoma Enterprise Zone Act after certain
12 date; clarifying application of provision; amending
13 Section 1, Chapter 303, O.S.L. 2004 (68 O.S. Supp.
14 2007, Section 205.4), which relates to tax
15 incentives; expanding application of specified
16 provision; requiring Incentive Review Committee to
17 conduct review of certain tax incentives; clarifying
18 meaning of certain term; amending 68 O.S. 2001,
19 Sections 2353, as last amended by Section 12, Chapter
20 272, O.S.L. 2006, 2357, as last amended by Section 8,
21 Chapter 136, O.S.L. 2007, 2357.4, as last amended by
22 Section 29, Chapter 281, O.S.L. 2006, 2357.6,
23 2357.11, as last amended by Section 9, Chapter 44,
24 2nd Extraordinary Session, O.S.L. 2006, 2357.13,
2357.24, 2357.26, as amended by Section 1, Chapter
441, O.S.L. 2002, 2357.27, as amended by Section 1,
Chapter 347, O.S.L. 2004, 2357.30, 2357.31, 2357.32A,
as last amended by Section 10, Chapter 44, 2nd
Extraordinary Session, O.S.L. 2006, 2357.33, as
amended by Section 1, Chapter 144, O.S.L. 2004,
2357.40, as amended by Section 6, Chapter 429, O.S.L.
2005, 2357.41, as last amended by Section 15, Chapter
272, O.S.L. 2006, Section 19, Chapter 472, O.S.L.
2003, as amended by Section 3, Chapter 518, O.S.L.
2004, 2357.81, Section 1, Chapter 301, O.S.L. 2005,
as amended by Section 1, Chapter 260, O.S.L. 2006,
Section 11, Chapter 381, O.S.L. 2005, Section 2,
Chapter 442, O.S.L. 2005, 2358, as last amended by
Section 3, Chapter 346, O.S.L. 2007, 2358.3, 2358.4,
and Section 3, Chapter 515, O.S.L. 2004 (68 O.S.
Supp. 2007, Sections 2353, 2357, 2357.4, 2357.11,
2357.26, 2357.27, 2357.32A, 2357.33, 2357.40,
2357.41, 2357.45, 2357.101, 2357.102, 2357.203, 2358
and 2358.7), which relate to income tax; eliminating
certain deduction relating to income derived from oil
and gas well production after certain date;
clarifying applicability of deduction; eliminating

1 tax credit relating to federal child care expenses or
2 child tax credit after certain date; eliminating tax
3 credit relating to use of gas in manufacturing after
4 certain date; eliminating tax credit relating to
5 Oklahoma Clean Air Act after certain date; updating
6 reference; eliminating tax credit relating to
7 investment in specified property or net increase in
8 employees after certain date; clarifying
9 applicability of specified limitations; eliminating
10 tax credit for contributions to Energy Conservation
11 Assistance Fund after certain date; eliminating tax
12 credits relating to mining, producing or extracting
13 coal after certain date; eliminating tax credit
14 relating to qualifying commercial space projects
15 after certain date; eliminating tax credit relating
16 to historic landmark after certain date; eliminating
17 tax credit relating to employer expenses for
18 provision of child care services after certain date;
19 eliminating tax credit relating to child care service
20 entities after certain date; eliminating tax credit
21 relating to certain guaranty fee after certain date;
22 eliminating tax credit relating to health care
23 premiums after certain date; eliminating tax credit
24 relating to sale of electricity by zero-emission
facilities after certain date; modifying certain
eligibility dates; clarifying application of
limitations; eliminating tax credit relating to
amounts paid for immunizations after certain date;
eliminating tax credits relating to income and sales
tax for expenditures pursuant to a tourism or film
and music production project agreement after certain
date; eliminating tax credit relating to expenditures
in connection with certified historic hotel,
newspaper plant building or historic structure after
certain date; eliminating tax credit relating to
donation to specified research institute after
certain date; updating reference; eliminating tax
credit relating to location of new or expanded
facility within enterprise zone after certain date;
eliminating tax credit relating to investment in
specified film or music project after certain date;
eliminating tax credit relating to purchase of fire
hydrant or water storage after certain date;
eliminating tax credit relating to costs associated
with rearing specially trained canines after certain
date; eliminating ability to make certain income tax
adjustment for federal net operating loss deduction

1 after certain date; eliminating tax exemption
2 relating to investment in new or expanded
3 agricultural commodity processing facility after
4 certain date; clarifying limitation on exemption;
5 eliminating ability to utilize certain net operating
6 loss carryback after certain date; eliminating
7 deduction relating to federal Indian employment
8 credit after certain date; eliminating exemption
9 relating to certain OSHA consultation service after
10 certain date; eliminating deduction relating to
11 depreciation of certain assets after certain date;
12 eliminating exemption relating to certain technology
13 transfers after certain date; eliminating certain
14 deduction relating to specified gains receiving
15 capital treatment after certain date; eliminating
16 ability to exclude certain dividends from taxable
17 income after certain date; eliminating exemption
18 relating to contributions to medical savings account
19 after certain date; updating reference; eliminating
20 deduction relating to certain swine or poultry
21 operations after certain date; eliminating deduction
22 relating to nonrecurring adoption expenses after
23 certain date; eliminating ability to exclude certain
24 amounts relating to production of agricultural
products after certain date; eliminating exemption
relating to certain scholarship or stipend after
certain date; eliminating deduction for contributions
relating to Oklahoma College Savings Plan after
certain date; eliminating deduction relating to
specified gains receiving capital treatment after
certain date; eliminating deduction relating to
political contributions after certain date;
eliminating ability to elect treatment of certain
farm income after certain date; eliminating credit
relating to certification of volunteer firefighter
after certain date; amending 70 O.S. 2001, Section
6014, which relates to the Oklahoma College Tuition
Trust Fund; eliminating exemption relating to
property and operation of trust and deduction for
amounts under advance tuition payment contracts after
certain date; amending 74 O.S. 2001, Sections 2106,
5064.7, 5075 and 5078, as amended by Section 11,
Chapter 486, O.S.L. 2003 (74 O.S. Supp. 2007, Section
5078), which relate to state government and tax
exemptions; eliminating exemption relating to export
trading company after certain date; eliminating
exemption relating to certain inventors after certain

1 date; eliminating credit relating to manufacture of
2 certain products; eliminating exemption relating to
3 income earned by sponsor of incubator after certain
4 date; eliminating exemption relating to income of
5 occupant of incubator after certain date; clarifying
6 application of limitation on exemption; amending 68
7 O.S. 2001, Sections 1354, as last amended by Section
8 5, Chapter 155, O.S.L. 2007, 1356, as last amended by
9 Section 5, Chapter 353, O.S.L. 2007, 1357, as last
10 amended by Section 1, Chapter 253, O.S.L. 2007,
11 1357.7, Section 1, Chapter 462, O.S.L. 2003, Section
12 3, Chapter 136, O.S.L. 2007, 1358, 1359, as last
13 amended by Section 8, Chapter 44, 2nd Extraordinary
14 Session, O.S.L. 2006, 1360, as amended by Section 1,
15 Chapter 346, O.S.L. 2007, 1404 and 54003 (68 O.S.
16 Supp. 2007, Sections 1354, 1356, 1357, 1357.9,
17 1357.10, 1359 and 1360), which relate to sales tax;
18 eliminating exemption on newspapers and periodicals
19 after certain date; eliminating exemption on certain
20 utility or public service after certain date;
21 eliminating exemption on certain transportation
22 services after certain date; eliminating exemption on
23 certain printing, copying or photocopying services
24 performed by specified entity after certain date;
eliminating exemption on dues paid to certain
organizations by regular members after certain date;
eliminating exemption on certain sales to or by
churches after certain date; eliminating exemption on
proceeds from sale of certain admission tickets after
certain date; eliminating exemption on property or
services sold to certain council organizations after
certain date; eliminating exemption on property or
services sold to certain private educational
institutions after certain date; eliminating
exemption on tuition and fees paid to certain private
educational institutions after certain date;
eliminating exemption on sale of property made by
specified public and private educational institutions
after certain date; eliminating exemption on sales of
property made by or to certain parent-teacher
organizations after certain date; eliminating
exemption on property sold by certain entities
related to 4-H after certain date; eliminating
exemption on a portion of ticket and concession sales
at certain athletic events after certain date;
eliminating exemption on sales to certain fire
departments after certain date; eliminating exemption

1 on complimentary or free admission tickets to certain
2 events and activities after certain date; eliminating
3 exemption on a portion of sales of property by
4 certain fire departments after certain date;
5 eliminating exemption on sales of property and
6 services to certain clubs after certain date;
7 eliminating exemption on sales to certain
8 organizations providing juvenile rehabilitation after
9 certain date; eliminating exemption on sales to
10 certain health-related facilities after certain date;
11 eliminating exemption on dues or fees to certain
12 recreational centers after certain date; eliminating
13 exemption on a portion of sales to or by certain
14 cultural organization after certain date; eliminating
15 exemption on sales to certain accredited museums
16 after certain date; eliminating exemption on sales of
17 admission tickets by certain accredited museums after
18 certain date; eliminating exemption on sales to
19 certain children's homes after certain date;
20 eliminating exemption on sales to Disabled American
21 Veterans after certain date; eliminating exemption on
22 sales to certain youth camps after certain date;
23 eliminating exemption on sales to spaceport user
24 after certain date; eliminating exemption on sales of
certain satellite or launch vehicle after certain
date; eliminating exemption on sales of certain space
facility, system, vehicle, satellite or station or
certain property placed on board after certain date;
eliminating exemption on sale of certain property
used in support of space flight after certain date;
eliminating exemption on sale of certain machinery
and equipment related to space facility, system,
vehicle, satellite or station after certain date;
eliminating exemption on surcharge on certain
admission ticket after certain date; eliminating
exemption on sale of property or services used in or
for the benefit of a state park after certain date;
eliminating exemption on certain sales by
organization conducting national championship sports
event after certain date; eliminating exemption on
sales to or by certain organization relating to
robotics after certain date; eliminating exemption on
portion of sales to or by certain youth athletic
teams after certain date; eliminating exemption on
sale of admission tickets for certain collegiate
athletic events after certain date; eliminating
exemption on sales to or by certain organization

1 affiliated with National Park System after certain
2 date; eliminating exemption on sale to certain
3 organizations relating to honorably discharged
4 veterans after certain date; eliminating exemption on
5 sales to certain organizations relating to
6 construction of local public library after certain
7 date; eliminating exemption on sales to certain
8 Career Technology Student Organizations after certain
9 date; eliminating exemption on sales to certain
10 public trust or nonprofit organization and
11 contractors improving or expanding hospital or
12 nursing home after certain date; eliminating
13 exemption on sales to certain organization which
14 provides services to physically and mentally
15 handicapped persons after certain date; eliminating
16 exemption on portion of sales to, by or for certain
17 neighborhood watch organizations after certain date;
18 eliminating exemption on sales to certain nonprofit
19 organization which provides services to homeless
20 persons after certain date; eliminating exemption on
21 sales by certain organization relating to
22 preservation of wetlands and habitat for wild ducks
23 after certain date; eliminating exemption on sales by
24 certain organization relating to preservation and
conservation of wild turkeys after certain date;
eliminating exemption on sales to certain
organization which is part of a specified network
after certain date; eliminating exemption on ticket
sales to certain professional athletic event after
certain date; eliminating exemption on ticket sales
to certain specified professional sporting events
after certain date; eliminating exemption on ticket
sales to certain annual event by specified sponsor
after certain date; eliminating exemption on sales to
certain organization relating to education programs
concerning health-related diseases and conditions
after certain date; eliminating exemption on sales to
or by certain national volunteer women's service
organization after certain date; eliminating
exemption sales to or by YWCA or YMCA organization
after certain date; eliminating exemption on sales to
or by Veterans of Foreign Wars organizations after
certain date; eliminating exemption on sales of
certain food boxes after certain date; eliminating
exemption on sales to certain persons relating to
church construction contracts after certain date;
eliminating exemption on sales used for certain

1 organizations providing services to developmentally
2 disabled individuals after certain date; eliminating
3 exemption on sales to certain organization which is a
4 shelter after certain date; eliminating exemption on
5 sales to certain child care centers after certain
6 date; eliminating exemption on sales to certain Blue
7 Star Mothers organizations after certain date;
8 eliminating exemption on certain transportation of
9 school pupils after certain date; eliminating
10 exemption on certain transportation of persons after
11 certain date; eliminating exemption on advertising
12 space in newspapers and periodicals after certain
13 date; eliminating exemption for certain sporting and
14 entertainment programs after certain date;
15 eliminating exemption on certain advertising after
16 certain date; eliminating exemption on products
17 relating to raising certain forms of terrestrial or
18 aquatic animal life after certain date; eliminating
19 exemption on certain gas, electricity and
20 transmissions services for residential use after
21 certain date; eliminating exemption on certain drug
22 sales after certain date; eliminating exemption on
23 certain transfers of title or possession of certain
24 chemical drums after certain date; eliminating
exemption on certain utensils and related items after
certain date; eliminating exemption on certain food
and food products, equipment or supplies to or by
certain organizations after certain date; eliminating
exemption on sales to certain organizations relating
to collection and distribution of food and other
products after certain date; eliminating exemption on
sales to certain children's homes after certain date;
eliminating exemption on sales of certain equipment
relating to aircraft maintenance or manufacturing
facilities after certain date; eliminating exemption
on property used in construction or expansion of
certain aircraft maintenance or manufacturing
facility after certain date; eliminating exemption on
sales of specified telecommunications services after
certain date; eliminating exemption on sales of
certain railroad track spikes after certain date;
eliminating exemption on sales of certain aircraft
and aircraft parts after certain date; eliminating
exemption on sales of certain machinery and equipment
relating to computer services and data processing
establishments after certain date; eliminating
exemption on sales of prosthetic devices after

1 certain date; eliminating exemption on certain sales
2 to motion picture or television production company
3 after certain date; eliminating exemption on sales of
4 certain diesel fuels after certain date; eliminating
5 exemption on sales to certain biomedical research
6 foundations after certain date; eliminating exemption
7 on sales of certain wireless telecommunications
8 equipment after certain date; eliminating exemption
9 on leases of rail transportation cars after certain
10 date; eliminating exemption on sales of specified
11 services related to aircraft after certain date;
12 eliminating exemption on sales of material and
13 supplies to owners of certain ship, motor vessel or
14 barge after certain date; eliminating exemption on
15 property at certain estate sales after certain date;
16 eliminating exemption on certain sales of electricity
17 and delivery and transmission services after certain
18 date; eliminating exemption on electronically
19 delivered prewritten computer software after certain
20 date; eliminating exemption on sales of modular
21 dwelling units after certain date; eliminating
22 exemption on sales of certain electricity after
23 certain date; eliminating exemption on sales of
24 certain intrastate charter and tour bus
transportation after certain date; eliminating
exemption on sales of certain vitamins, minerals and
dietary supplements after certain date; eliminating
exemption on certain sales to specified web search
portal after certain date; eliminating exemption on
property used in construction or expansion of certain
rural electric cooperative after certain date;
eliminating exemption on sales to certain business
engaged in repair of consumer electronic goods after
certain date; eliminating exemption on sale of horses
after certain date; eliminating exemption on sale of
service transactions among related entities after
certain date; eliminating exemption on certain sales
of clothing or footwear sold during specified time
period after certain date; eliminating exemption on
certain sale of agricultural products after certain
date; eliminating exemption on specified domestic or
draft animals after certain date; eliminating
exemption on certain baby chicks, turkey poults and
starter pullets after certain date; eliminating
exemption on certain animal feeds after certain date;
eliminating exemption on certain items used in the
production of agricultural products after certain

1 date; eliminating exemption on sales of certain items
2 relating to operation and maintenance of farm
3 machinery after certain date; eliminating exemption
4 on supplies, machinery and equipment relating to
5 raising evergreen trees after certain date;
6 eliminating exemption on supplies, machinery and
7 equipment relating to facilities used in livestock
8 production after certain date; eliminating exemption
9 on goods, wares, merchandise, property, machinery and
10 equipment to certain manufacturers for specified use
11 after certain date; eliminating exemption on ethyl
12 alcohol when sold for certain use after certain date;
13 eliminating exemption on sales of certain containers
14 after certain date; eliminating exemption on sales or
15 transfers of title of certain containers after
16 certain date; eliminating exemption on sales by
17 manufacturer to certain person who transports
18 property after certain date; eliminating exemption on
19 certain sales relating to hazardous waste management
20 after certain date; eliminating exemption on sales to
21 qualified manufacturer or distributor for use in new
22 manufacturing or distribution facility after certain
23 date; eliminating exemption on sales to or for use by
24 certain licensed cable television operator after
certain date; eliminating exemption on sales to
certain licensed radio or television station after
certain date; eliminating exemption on certain
packaging materials after certain date; eliminating
exemption on pattern used in certain manufacturing
process after certain date; eliminating exemption on
deposits or charges relating to returns or refunds on
products after certain date; eliminating exemption on
certain items used in coal mining after certain date;
eliminating exemption on certain deposits, rents or
charges relating to containers used to transport
mushrooms after certain date; eliminating exemption
on property and services used in extraction and
manufacturing of crushed stone and sand after certain
date; eliminating exemption on transfer of personal
property relating to corporate reorganization after
certain date; eliminating exemption on use of
property by commercial airlines and railroads after
certain date; eliminating exemption on use of certain
livestock after certain date; eliminating exemption
on use of certain rail transportation cars after
certain date; eliminating exemption on qualified
purchases relating to certain computer services and

1 data processing purchasers; and providing an
2 effective date.

3
4
5 BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

6 SECTION 1. AMENDATORY 8 O.S. 2001, Section 17, is
7 amended to read as follows:

8 Section 17. Any surplus funds which said corporation may have
9 in its treasury shall be invested by the board of directors in some
10 perfectly secure real estate or securities, all of which shall be
11 exempt from taxation before January 1, 2011, as is the property of
12 other public corporations, and the board of directors shall exercise
13 the best of care in the preservation of said properties and funds
14 and the accumulation thereof, to the end that provisions may be made
15 for the perpetual maintenance of said cemetery and the improvement,
16 embellishing, beautifying and taking care thereof, for which
17 purposes all of the funds of said corporation, after the payment of
18 its debts, shall at all times be subject, to be applied.

19 SECTION 2. AMENDATORY 27A O.S. 2001, Section 2-11-303,
20 is amended to read as follows:

21 Section 2-11-303. A. ~~Any~~ Before January 1, 2012, any person,
22 firm, corporation or other legal entity engaged, or proposing to
23 engage, in the recycling, reuse or source reduction of any hazardous
24 waste, the processing of which is certified as provided in Section

1 ~~188 of Enrolled House Bill No. 1002 of the 1st Session of the 44th~~
2 ~~Oklahoma Legislature~~ 2-11-305 of this title, shall be entitled to a
3 one-time credit against its income tax liability, as provided in
4 ~~Section 187 of Enrolled House Bill No. 1002 of the 1st Session of~~
5 ~~the 44th Oklahoma Legislature~~ 2-11-304 of this title, of not to
6 exceed twenty percent (20%) of the net investment cost of equipment
7 and installation of processes used for the recycling, reuse, or
8 source reduction of hazardous waste. Provided, that:

9 1. The credit allowed to be taken shall not exceed the income
10 tax liability for such year for such person, firm, corporation or
11 legal entity;

12 2. The tax credit to be allowed shall not extend to or include
13 plant operating expenses;

14 3. The person, firm, corporation or other legal entity applying
15 for such tax credit actually uses the recycling, reuse, or source
16 reduction process;

17 4. The tax credit is taken within three (3) years of the
18 installation and actual use of such process; and

19 5. The tax credit allowed by any person, firm, corporation or
20 other legal entity for any three (3) consecutive tax years shall not
21 exceed a total of Fifty Thousand Dollars (\$50,000.00).

22 B. The investment cost of such process may be treated as a
23 depreciable asset for income tax purposes.

24

1 SECTION 3. AMENDATORY 36 O.S. 2001, Section 2017, is
2 amended to read as follows:

3 Section 2017. ~~The~~ Before January 1, 2013, the Association shall
4 be exempt from payment of all fees and all taxes levied by this
5 state or any of its subdivisions. On or after January 1, 2013, the
6 Association shall be subject only to the taxes levied pursuant to
7 the Oklahoma Sales Tax Code and the Oklahoma Income Tax Act.

8 SECTION 4. AMENDATORY 36 O.S. 2001, Section 2040, is
9 amended to read as follows:

10 Section 2040. ~~The~~ Before January 1, 2014, the Association shall
11 be exempt from payment of all fees and all taxes levied by this
12 state or any of its subdivisions, except taxes levied on real
13 property. On or after January 1, 2014, the Association shall be
14 subject only to taxes levied on real property and the taxes levied
15 pursuant to the Oklahoma Sales Tax Code and the Oklahoma Income Tax
16 Act.

17 SECTION 5. AMENDATORY 36 O.S. 2001, Section 2617, as
18 amended by Section 56, Chapter 264, O.S.L. 2006 (36 O.S. Supp. 2007,
19 Section 2617), is amended to read as follows:

20 Section 2617. ~~Every~~ Except as otherwise provided in this
21 section, every corporation doing business pursuant to this article
22 is hereby declared to be a not-for-profit institution and to be
23 exempt from state, county, district, municipal and school tax,
24 including the taxes prescribed by this Code, and excepting only the

1 fees prescribed by Article 3 of the Insurance Code (Insurance
2 Department and Insurance Commissioner), the premium tax levied
3 pursuant to Article 6 of the Insurance Code (Authorization of
4 Insurers and General Requirements), and taxes on real and tangible
5 personal property situate within this state; provided, on or after
6 January 1, 2015, such corporations shall be subject to the taxes
7 levied pursuant to the Oklahoma Sales Tax Code.

8 SECTION 6. AMENDATORY 36 O.S. 2001, Section 2665, is
9 amended to read as follows:

10 Section 2665. ~~Every~~ Except as otherwise provided in this
11 section, every corporation doing business pursuant to this article
12 is hereby declared to be a nonprofit and benevolent institution and
13 to be exempt from state, county, district, municipal and school tax,
14 including the taxes prescribed by the Oklahoma Insurance Code, and
15 excepting only the fees prescribed by Section 321 of the Oklahoma
16 Insurance Code, and taxes on real and tangible personal property
17 situate within this state; provided, on or after January 1, 2016,
18 such corporations shall be subject to the taxes levied pursuant to
19 the Oklahoma Sales Tax Code.

20 SECTION 7. AMENDATORY 36 O.S. 2001, Section 2685, is
21 amended to read as follows:

22 Section 2685. ~~Every~~ Except as otherwise provided in this
23 section, every corporation doing business pursuant to this Article
24 is hereby declared to be a nonprofit, charitable and benevolent

1 institution and to be exempt from state, county, district, municipal
2 and school taxes, including the taxes prescribed by the Oklahoma
3 Insurance Code, excepting only the fees prescribed by Section 321 of
4 ~~Title 36, Oklahoma Statutes~~ this title, and taxes on real and
5 tangible personal property situated within this state; provided, on
6 or after January 1, 2017, such corporations shall be subject to the
7 taxes levied pursuant to the Oklahoma Sales Tax Code.

8 SECTION 8. AMENDATORY 36 O.S. 2001, Section 2691.15, is
9 amended to read as follows:

10 Section 2691.15 ~~Every~~ Except as otherwise provided in this
11 section, every corporation doing business pursuant to this article
12 is hereby declared to be a nonprofit, charitable and benevolent
13 institution and to be exempt from state, county, district, municipal
14 and school taxes, including the taxes prescribed by the Oklahoma
15 Insurance Code, excepting only the fees prescribed by Section 321 of
16 ~~Title 36 of the Oklahoma Statutes~~ this title, and taxes on real and
17 tangible personal property situated within this state; provided, on
18 or after January 1, 2018, such corporations shall be subject to the
19 taxes levied pursuant to the Oklahoma Sales Tax Code.

20 SECTION 9. AMENDATORY 36 O.S. 2001, Section 2724.1, is
21 amended to read as follows:

22 Section 2724.1 ~~Every~~ Except as otherwise provided in this
23 section, every society organized or licensed under this act is
24 hereby declared to be a charitable and benevolent institution, and

1 all of its funds shall be exempt from all and every state, county,
2 district, municipal and school tax other than taxes on real estate
3 and office equipment; provided, on or after January 1, 2011, such
4 societies shall be subject to the taxes levied pursuant to the
5 Oklahoma Sales Tax Code.

6 SECTION 10. AMENDATORY 36 O.S. 2001, Section 6150, is
7 amended to read as follows:

8 Section 6150. A. Coincident with the filing of the annual
9 report prescribed by Section ~~9 of this act~~ 6149 of this title, each
10 prepaid dental plan organization shall pay to the State Treasurer
11 through the Commissioner a tax for transacting a prepaid dental
12 plan. The obligation shall be determined as follows:

13 1. If a domestic organization, two percent (2%) of prepaid net
14 charges received from members in this state.

15 2. If a foreign organization, two percent (2%) of prepaid net
16 charges received from members in this state.

17 B. ~~An~~ Before January 1, 2012, an organization may offset this
18 tax in whole or in part by payment of state corporate income tax, as
19 provided for in Section 2355 of Title 68 of the Oklahoma Statutes.
20 However, an organization shall not be able to carry over to a
21 succeeding year any credit for paying corporate income tax not used
22 during a year.

23 SECTION 11. AMENDATORY 36 O.S. 2001, Section 6606, is
24 amended to read as follows:

1 Section 6606. A. To ensure the faithful performance of its
2 obligations to its members or subscribers in the event of
3 insolvency, each service warranty association shall, before being
4 issued a license by the Insurance Commissioner and during such time
5 as the association has premiums in force in this state, deposit and
6 maintain securities of the type eligible for deposit by an insurer
7 pursuant to Section 613 of ~~Title 36 of the Oklahoma Statutes~~ this
8 title. Whenever the market value of the securities deposited with
9 the Commissioner is less than ninety-five percent (95%) of the
10 amount required, the association shall deposit additional securities
11 or otherwise increase the deposit to the amount required. In lieu
12 of the amounts required in Section 613 of ~~Title 36 of the Oklahoma~~
13 ~~Statutes~~ this title, such securities shall have at all times a
14 market value as follows:

15 1. A new warrantor, before the issuance of its license and
16 before receiving any premiums, shall place and maintain in trust
17 with the Insurance Commissioner the amount of Twenty Thousand
18 Dollars (\$20,000.00);

19 2. A warrantor which has Three Hundred Thousand Dollars
20 (\$300,000.00) or less of gross written premiums in this state shall
21 place and maintain in trust with the Commissioner an amount not less
22 than Fifty Thousand Dollars (\$50,000.00);

23 3. A warrantor which has more than Three Hundred Thousand
24 Dollars (\$300,000.00) but less than Seven Hundred Fifty Thousand

1 Dollars (\$750,000.00) or more of gross written premiums in this
2 state shall place and maintain in trust with the Commissioner an
3 amount equal to One Hundred Thousand Dollars (\$100,000.00);

4 4. A warrantor which has Seven Hundred Fifty Thousand Dollars
5 (\$750,000.00) or more of gross written premiums in this state shall
6 place and maintain in trust with the Commissioner an amount equal to
7 One Hundred Thousand Dollars (\$100,000.00);

8 5. A warranty seller shall, before the issuance of its license,
9 place in trust with the Commissioner an amount not less than One
10 Hundred Thousand Dollars (\$100,000.00); and

11 6. All warrantors and warranty sellers upon receipt of written
12 notice from the Commissioner, shall have thirty (30) calendar days
13 in which to make additional deposits as the Commissioner deems
14 necessary, up to the maximum amounts provided in this subsection.

15 B. 1. In lieu of any deposit of securities required under
16 subsection A of this section and subject to the approval of the
17 Commissioner, the service warranty association may file with the
18 Commissioner a surety bond issued by an authorized surety insurer.
19 The bond shall be for the same purpose as the deposit in lieu of
20 which it is filed. The Commissioner may not approve any bond under
21 the terms of which the protection afforded against insolvency is not
22 equivalent to the protection afforded by those securities provided
23 for in subsection A of this section.

24

1 2. When a bond is deposited in lieu of the required securities,
2 no warranties shall be written which provide coverage for a time
3 period beyond the duration of such bond. The bond shall guarantee
4 that the service warranty association will faithfully and truly
5 perform all the conditions of any service warranty contract.

6 3. No such bond shall be canceled or subject to cancellation
7 unless at least sixty (60) days' advance notice thereof, in writing,
8 is filed with the Commissioner. In the event that notice of
9 termination of the bond is filed with the Commissioner the service
10 warranty association insured thereunder shall, within thirty (30)
11 days of the filing of notice of termination, provide the
12 Commissioner with a replacement bond meeting the requirements of
13 this subsection or deposit additional securities as required under
14 subsection A of this section. The cancellation of a bond shall not
15 relieve the obligation of the issuer of the bond for claims arising
16 out of contracts issued before cancellation of the bond unless a
17 replacement bond or securities are filed. In no event shall the
18 liability of the issuer under the bond exceed the face amount of the
19 bond. If within thirty (30) days of filing the notice of
20 termination no replacement bond or additional security is provided,
21 the Commissioner shall suspend the license of the association until
22 the deposit requirements are satisfied.

23 C. Securities and bonds posted by an association pursuant to
24 this section are for the benefit of, and subject to action thereon

1 in the event of insolvency or impairment of any association or
2 insurer by, any person or persons sustaining an actionable injury
3 due to the failure of the association to faithfully perform its
4 obligation to its warranty holders.

5 D. The State Treasurer shall be responsible for the safekeeping
6 of all securities deposited with the Commissioner pursuant to the
7 provisions of the Service Warranty Insurance Act. ~~Such~~ Before
8 January 1, 2013, such securities shall not be subject to taxation,
9 but shall be held exclusively and solely to guarantee the faithful
10 performance by the association of its obligations to its members or
11 subscribers.

12 E. The depositing association, during its solvency, shall have
13 the right to exchange or substitute other securities of like quality
14 and value for securities on deposit, to receive the interest and
15 other income accruing to such securities, and to inspect the deposit
16 at all reasonable times.

17 F. Such deposit or bond shall be maintained unimpaired as long
18 as the association continues in business in this state. Whenever
19 the association ceases to do business in this state and furnishes
20 the Commissioner proof satisfactory to the Commissioner that it has
21 discharged or otherwise adequately provided for all its obligations
22 to its members or subscribers in this state, the Commissioner shall
23 release the deposited securities to the parties entitled thereto, on
24 presentation of the receipts of the Commissioner for such

1 securities, or shall release any bond filed with it in lieu of such
2 deposit.

3 G. No judgment creditor or other claimant of a service warranty
4 association, other than a judgment creditor whose judgment is based
5 on a service warranty contract, shall have the right to levy upon
6 any of the assets or securities held in this state as a deposit
7 pursuant to this section.

8 SECTION 12. AMENDATORY 37 O.S. 2001, Section 163.3, as
9 amended by Section 1, Chapter 484, O.S.L. 2003 (37 O.S. Supp. 2007,
10 Section 163.3), is amended to read as follows:

11 Section 163.3 There is hereby levied on all low-point beer
12 containing more than one-half of one percent (1/2 of 1%) of alcohol
13 measured by volume and not more than three and two-tenths percent
14 (3.2%) of alcohol measured by weight which are manufactured and
15 sold, or removed for consumption or sale, within this state a tax of
16 Eleven Dollars and twenty-five cents (\$11.25) for every barrel
17 containing not more than thirty-one (31) gallons, and at a like rate
18 of tax for any other quantities or for a fractional part of a
19 barrel. Provided, any low-point beer manufactured in this state for
20 export shall not be taxed under this section.

21 Each wholesaler making reports and remittances to the Tax
22 Commission shall be allowed the sum of one percent (1%) of the tax
23 remittances collected for maintaining and collecting said tax for
24 the benefit of this state.

1 ~~Machinery~~ Before January 1, 2014, machinery and equipment
2 directly used in the manufacture within this state of low-point beer
3 taxed pursuant to the provisions of this section shall be exempt
4 from taxation under any other law of this state levying a sales or
5 consumers or use tax.

6 SECTION 13. AMENDATORY 62 O.S. 2001, Section 690.4, is
7 amended to read as follows:

8 Section 690.4 A. The following benefits and incentives shall
9 be available to qualified enterprises:

10 1. ~~Two~~ Before January 1, 2015, two times the amount of
11 investment tax credits as provided in subsection A of Section 2357.4
12 of Title 68 of the Oklahoma Statutes. For purposes of this act and
13 for purposes of computing the tax credit amount pursuant to
14 subsection A of Section 2357.4 of Title 68 of the Oklahoma Statutes,
15 if an enterprise selects to claim the credit based upon the
16 qualified cost of depreciable property, the credit amount shall be
17 two percent (2%) of such qualified cost. If an enterprise selects
18 to claim the credit based upon the number of new full-time-
19 equivalent positions, the credit amount shall be One Thousand
20 Dollars (\$1,000.00) for each new full-time-equivalent employee;

21 2. ~~Sales~~ Before January 1, 2015, sales tax exemptions for
22 certain manufacturers as provided in Section 1359 of Title 68 of the
23 Oklahoma Statutes; and
24

1 3. Low interest loans as provided in Section 690.16 of this
2 title.

3 B. ~~Any~~ Subject to the limitations provided in subsection A of
4 this section, any enterprise moving into an enterprise zone on or
5 after the effective date on which the enterprise zone is designated
6 may obtain the benefits and incentives provided by this section if
7 the enterprise meets the requirements established by law for the
8 receipt of such benefits.

9 C. An enterprise located within an enterprise zone before the
10 date on which the enterprise zone is designated may obtain the
11 benefits and incentives provided by this section with respect to any
12 project or any expansion of its labor force occurring after the date
13 on which the enterprise zone is designated.

14 D. For purposes of obtaining the benefit provided by paragraph
15 1 of subsection A of this section, a business, which prior to the
16 effective date of this act, located in an area that was designated
17 as an enterprise zone at the time any official action was taken by a
18 public trust or private funds with respect to location of such
19 business in a county, city or town designated as the beneficiary of
20 such public trust or private funds, shall be entitled to such
21 benefit for any taxable year during which such business was located
22 and operating in the area regardless of any changes in the
23 designation of the area as an enterprise zone resulting from a
24 change in employment levels.

1 E. For purposes of obtaining the benefit provided by paragraph
2 1 of subsection A of this section, a business, which prior to July
3 1, 1993, located in an area that was not designated as an enterprise
4 zone at the time of location of the business but such area has since
5 been designated as an enterprise zone by the Oklahoma Department of
6 Commerce as a result of the area's location in County 115, Tract
7 9746, Block Group 4 of the 1990 decennial census, shall be entitled
8 to such benefit for any taxable year during which such business was
9 located and operating in the location regardless of designation of
10 the area in which the business located as an enterprise zone area
11 after the date of initial location of the business.

12 F. The low interest loans as authorized by this section shall
13 be available for a period of five (5) years following the date on
14 which the county or area within the corporate limits of a city or
15 town is designated an enterprise zone, or until said county or area
16 no longer qualifies as an enterprise zone.

17 G. The other benefits and incentives set forth in this section
18 shall be subject to the limitations as provided by law.

19 SECTION 14. AMENDATORY Section 1, Chapter 303, O.S.L.
20 2004 (68 O.S. Supp. 2007, Section 205.4), is amended to read as
21 follows:

22 Section 205.4 A. The Legislature hereby finds that a system to
23 quantify the costs and benefits of existing tax incentives is
24 necessary to determine the achievement of desired objectives in

1 fiscal policy. This system must include a regular and comprehensive
2 review of provisions of state tax incentives. For purposes of this
3 section, "tax incentive" shall include special exclusions, credits,
4 exemptions, or deductions that are not a part of the essential
5 structure of the tax in question and are designed to reduce the tax
6 liability for a special project or that are subject to expiration as
7 provided in this act. A tax incentive shall also include any
8 provision of law that provides direct payment incentives and other
9 measures designed to entice businesses to locate or expand in
10 Oklahoma.

11 B. There is hereby created an Incentive Review Committee, which
12 shall consist of nine (9) members, three each to be appointed by the
13 Governor, the President Pro Tempore of the Senate and the Speaker of
14 the House of Representatives. Each member shall serve a four-year
15 term and can be reappointed up to three times. The Oklahoma Tax
16 Commission and the Oklahoma Department of Commerce shall provide the
17 staffing needs of the Committee. The Committee shall ~~annually~~:

18 1. Annually conduct a review of existing tax incentives in an
19 individual tax code and may conduct an in-depth review of the cost
20 and benefits of selected tax incentives; and

21 2. At least two (2) years prior to the date any tax incentive
22 expires as provided in this act or the expiration date of any tax
23 incentive enacted after the effective date of this act, conduct an
24 in-depth review of the costs and benefits of such incentives. For

1 the purposes of this act, a tax incentive shall expire on the date
2 after which no credit may be claimed, exemption or deduction be
3 taken or incentive payment be made; provided, a tax incentive may be
4 considered expired even if an unused credit may be carried forward
5 beyond the date of expiration.

6 Committee review reports shall be submitted to the Governor,
7 Speaker of the House of Representatives and the President Pro
8 Tempore of the Senate. ~~This review~~

9 C. These reviews shall include:

- 10 1. An identification of the purpose of the tax incentive;
- 11 2. A determination of whether the potential revenue impact on
12 the state can be quantified and if so, an estimate of the potential
13 revenue impact on the state;
- 14 3. A determination of whether the economic gain to the state
15 can be quantified and if so, an estimate of the economic gain
16 measured in jobs, wages, investments, or other economic criteria;
- 17 4. An estimate of the effect on the distribution of the tax
18 burden;
- 19 5. An estimate of the number of taxpayers receiving the
20 benefit;
- 21 6. A determination of the growth potential of the industry
22 eligible to claim the incentive;
- 23 7. A determination of the effectiveness in achieving the
24 desired objective;

1 8. A determination of whether the tax incentive is the most
2 fiscally effective means of achieving its stated purpose;

3 9. An analysis of the costs and burdens of administration;

4 10. An analysis of the competitive position of Oklahoma
5 relative to other states with similar incentives;

6 11. A determination of the effectiveness of evoking a change in
7 taxpayer behavior; and

8 12. A public hearing, at which persons receiving the incentives
9 reviewed, or other interested parties, may testify.

10 Nothing in this section shall preclude the Committee from
11 reviewing incentives outside the tax code selected for the annual
12 review.

13 SECTION 15. AMENDATORY 68 O.S. 2001, Section 2353, as
14 last amended by Section 12, Chapter 272, O.S.L. 2006 (68 O.S. Supp.
15 2007, Section 2353), is amended to read as follows:

16 Section 2353. For the purpose of and when used in Section 2351
17 et seq. of this title, unless the context otherwise requires:

18 1. "Tax Commission" means the Oklahoma Tax Commission;

19 2. "Internal Revenue Code" means the United States Internal
20 Revenue Code, as the same may be amended or adopted from time to
21 time applicable to the taxable year; and other provisions of the
22 laws of the United States relating to federal income taxes, as the
23 same may be or become effective at any time or from time to time
24 applicable to the taxable year;

1 3. Any term used in Section 2351 et seq. of this title shall
2 have the same meaning as when used in a comparable context in the
3 Internal Revenue Code, unless a different meaning is clearly
4 required. For all taxable periods covered by Section 2351 et seq.
5 of this title, the tax status and all elections of all taxpayers
6 covered by Section 2351 et seq. of this title shall be the same for
7 all purposes material hereto as they are for federal income tax
8 purposes except when Section 2351 et seq. of this title specifically
9 provides otherwise;

10 4. "Resident individual" means a natural person who is
11 domiciled in this state, and any other natural person who spends in
12 the aggregate more than seven (7) months of the taxable year within
13 this state shall be presumed to be a resident for purposes of
14 Section 2351 et seq. of this title in absence of proof to the
15 contrary. A natural person who resides less than seven (7) months
16 of the taxable year within this state is presumed to be a "part-year
17 resident individual" for purposes of the Oklahoma Income Tax Code,
18 Section 2351 et seq. of this title, in absence of proof to the
19 contrary. A "nonresident individual" means an individual other than
20 a resident individual or a part-year resident individual.

21 For all tax years beginning after December 31, 1981, a
22 nonresident individual, with respect to foreign earned income and
23 deductions, shall include an individual who:
24

- 1 a. during any period of twenty-four (24) consecutive
2 months is out of the United States at least five
3 hundred fifty (550) days,
- 4 b. during such period referred to in subparagraph a of
5 this paragraph is not present in this state for more
6 than ninety (90) days during any taxable year,
- 7 c. during any period of less than an entire taxable year,
8 which period is contained within the period referred
9 to in subparagraph a of this paragraph, is not present
10 in this state for a number of days in excess of an
11 amount which bears the same ratio to ninety (90) days
12 as the number of days contained in the period of less
13 than an entire taxable year bears to three hundred
14 sixty-five (365), and
- 15 d. during such period referred to in subparagraph a of
16 this paragraph does not maintain a permanent place of
17 abode in this state at which the spouse of the
18 individual, unless such spouse is legally separated,
19 or minor children of the individual are present for
20 more than one hundred eighty (180) days;

21 5. "Resident estate" means the estate of a decedent who at
22 death was domiciled in this state. "Nonresident estate" means an
23 estate other than a resident estate;

24 6. "Resident trust" means:

1 a. a trust, or a portion of a trust, consisting of
2 property transferred by will of a decedent domiciled
3 in this state at death, or a trust, or a portion of a
4 trust, consisting of the property of a person
5 domiciled in this state if such trust is not
6 irrevocable, and

7 b. a trust, or portion of a trust, consisting of property
8 of a person domiciled in this state at the time such
9 property was transferred to the trust if such trust or
10 portion was then irrevocable or a person domiciled in
11 this state at the time such trust or portion became
12 irrevocable. A trust, or portion of a trust, is
13 irrevocable if it is not subject to a power
14 exercisable solely by the transferor of such property,
15 at any time, to revest title in the transferor.

16 "Nonresident trust" means a trust other than a
17 resident trust;

18 7. "Resident partner" means a partner who is a resident
19 individual, a resident estate, a resident trust or a resident
20 corporation. "Nonresident partner" means a partner other than a
21 resident partner;

22 8. "Resident beneficiary" means a beneficiary of an estate or
23 trust which beneficiary is a resident individual, a resident estate,
24

1 a resident trust or a resident corporation. "Nonresident
2 beneficiary" means a beneficiary other than a resident beneficiary;

3 9. "Resident corporation" means a corporation whose principal
4 place of business is located within the State of Oklahoma.

5 "Nonresident corporation" means any corporation other than a
6 resident corporation;

7 10. "Taxable income" with respect to any taxpayer means the
8 "taxable income", "life insurance company taxable income", "mutual
9 insurance company taxable income", "(regulated) investment company
10 taxable income", "real estate investment trust taxable income", and
11 "cooperatives' taxable income" and any other "taxable income" as
12 defined in the Internal Revenue Code as applies to such taxpayer or
13 any other income of such taxpayer including, but not limited to,
14 lump sum distributions as defined by the Internal Revenue Code of
15 1986, as amended; provided, in the case of income derived from oil
16 and gas well production, any taxpayer, at his or her option on or
17 before December 31, 2016, may deduct as an allowance for depletion,
18 in lieu of other calculation of depletion based on the cost of the
19 oil and gas deposit, twenty-two percent (22%) of the gross income
20 derived from the properties during the taxable year. Provided
21 further, for tax years beginning on or after January 1, 1997, and
22 ending on or before December 31, 1999, and for tax years beginning
23 on or after January 1, 2001, and ending on or before December 31,
24 2011, for major oil companies as defined in Section 288.2 of Title

1 52 of the Oklahoma Statutes, such allowance shall not exceed fifty
2 percent (50%) of the net income of the taxpayer (computed without
3 allowance for depletion) from the property. During taxable years
4 other than those specified herein but on or before December 31,
5 2016, for all taxpayers, such allowance shall not exceed fifty
6 percent (50%) of the net income of the taxpayer (computed without
7 allowance for depletion) from the property. If a depletion
8 allowance is allowed as a deduction in arriving at the adjusted
9 gross income in the case of an individual, or taxable income for
10 corporations and trusts, or distributable income of partnerships by
11 the Internal Revenue Service, the percentage depletion so calculated
12 shall in no event be a duplication of depletion allowed on the
13 Federal Income Tax Return;

14 11. "Adjusted gross income" means "adjusted gross income" as
15 defined in the Internal Revenue Code;

16 12. "Oklahoma taxable income" means "taxable income" as
17 reported (or as would have been reported by the taxpayer had a
18 return been filed) to the federal government, and in the event of
19 adjustments thereto by the federal government as finally ascertained
20 under the Internal Revenue Code, adjusted further as hereinafter
21 provided;

22 13. "Oklahoma adjusted gross income" means "adjusted gross
23 income" as reported to the federal government (or as would have been
24 reported by the taxpayer had a return been filed), or in the event

1 of adjustments thereby by the federal government as finally
2 ascertained under the Internal Revenue Code, adjusted further as
3 hereinafter provided;

4 14. "State" means any state of the United States, the District
5 of Columbia, the Commonwealth of Puerto Rico, any territory or
6 possession of the United States or any political subdivision
7 thereof; and

8 15. "Taxpayer" means any person subject to a tax imposed by
9 this Article, or whose income is, in whole or in part, subject to a
10 tax imposed by any provision of this article.

11 SECTION 16. AMENDATORY 68 O.S. 2001, Section 2357, as
12 amended by Section 8, Chapter 136, O.S.L. 2007 (68 O.S. Supp. 2007,
13 Section 2357), is amended to read as follows:

14 Section 2357. A. The withheld taxes and estimated taxes paid
15 shall be allowed as credits as provided by law.

16 B. 1. There shall be allowed as a credit against the tax
17 imposed by Section 2355 of this title the amount of tax paid another
18 state by a resident individual, as defined in paragraph 4 of Section
19 2353 of this title, upon income received as compensation for
20 personal services in such other state; provided, such credit shall
21 not be allowed with respect to any income specified in Section 114
22 of Title 4 of the United States Code, 4 U.S.C., Section 114, upon
23 which a state is prohibited from imposing an income tax. The credit
24 shall not exceed such proportion of the tax payable under Section

1 2355 of this title as the compensation for personal services subject
2 to tax in the other state and also taxable under Section 2355 of
3 this title bears to the Oklahoma adjusted gross income as defined in
4 paragraph 13 of Section 2353 of this title.

5 2. For tax years beginning after December 31, 2007, and ending
6 before January 1, 2017, there shall be allowed to a resident
7 individual or part-year resident individual or nonresident
8 individual member of the Armed Forces as a credit against the tax
9 imposed by Section 2355 of this title twenty percent (20%) of the
10 credit for child care expenses allowed under the Internal Revenue
11 Code of the United States or five percent (5%) of the child tax
12 credit allowed under the Internal Revenue Code, whichever amount is
13 greater. Neither credit authorized by this paragraph shall exceed
14 the tax imposed by Section 2355 of this title. The maximum child
15 care credit allowable on the Oklahoma income tax return shall be
16 prorated on the ratio that Oklahoma adjusted gross income bears to
17 the federal adjusted gross income. The credit authorized by this
18 paragraph shall not be claimed by any taxpayer if the federal
19 adjusted gross income reflected on the Oklahoma return for the
20 taxpayer is in excess of One Hundred Thousand Dollars (\$100,000.00).

21 C. 1. ~~Every~~ Before January 1, 2018, every taxpayer who
22 operates a manufacturing establishment in the state shall be allowed
23 a direct credit against income taxes owed by such taxpayer to the
24 state, the amount of which credit shall be proportioned to the

1 amount of gas used or consumed in Oklahoma by such taxpayer in the
2 operation of a manufacturing establishment, at a rate of three (3)
3 mills per thousand (1,000) cubic feet of gas used or consumed after
4 May 1, 1971, and during each taxable year of such taxpayer provided
5 that the credit allowed herein shall not apply to the first twenty-
6 five thousand (25,000) MCF of gas used or gas used to generate
7 electricity or consumed after May 1, 1971, and during each taxable
8 year of such taxpayer.

9 2. As used in this subsection:

10 a. "manufacturing establishment" means a plant or
11 establishment which engages in the business of working
12 raw materials into wares suitable for use or which
13 gives new shapes, new qualities or new combinations to
14 matter which has already gone through some artificial
15 process,

16 b. "gas used or consumed" shall include all natural or
17 casinghead gas used in the operation of the
18 manufacturing establishment for whatever purposes, but
19 shall not include the following:

20 (1) gas which, after being severed from the earth, is
21 subsequently injected into a formation in the
22 state for the purpose of storing, recycling,
23 repressuring or pressure maintenance,

24

- 1 (2) gas vented or flared directly into the
2 atmosphere,
- 3 (3) gas used for fuel in connection with the
4 operation and development for or production of
5 oil or gas in the field where produced, and
6 (4) gas, any part of which is resold by the
7 manufacturing establishment, except as to that
8 part and quantity of the gas which is actually
9 used by the establishment and not resold, and

10 c. "one thousand (1,000) cubic feet of gas" (MCF) means
11 that quantity of gas which, measured at a pressure of
12 fifteen and twenty-five thousandths (15.025) pounds
13 per square inch absolute and at a temperature of
14 sixty-nine (69) degrees Fahrenheit, would have the
15 volume of one thousand (1,000) cubic feet.

16 D. No additions to tax shall be made in Oklahoma income tax
17 returns by reason of the recapture or restoration of credits under
18 the Internal Revenue Code, and no other credits against tax shall be
19 allowed in Oklahoma income tax returns except as follows:

20 1. Those credits provided in this section; and

21 2. ~~Those~~ Before January 1, 2011, those credits authorized by
22 ~~Sections 2-5-101 through 2-5-118 of Title 27A of the Oklahoma~~
23 ~~Statutes~~ the Oklahoma Clean Air Act, which have been, or may
24 hereafter be, certified pursuant to applications therefor made on or

1 before March 22, 1971. Provided, the total amount of the credits
2 referred to in this subparagraph to be taken by the taxpayer shall
3 not exceed the certified net investment cost of the facilities or
4 processes to which such credits pertain, reduced by the greater of:

5 a. the reduction in federal income tax of taxpayer as the
6 result of deducting depreciation on such facilities or
7 processes, or deducting nondepreciable costs for which
8 credit has been so certified, or

9 b. the increase in the amount of Oklahoma income tax that
10 would result if taxable income were increased by the
11 amount deducted as set forth in subparagraph a of this
12 paragraph.

13 And, provided further, that, after such credits have been exhausted,
14 taxpayer shall each year thereafter adjust taxable income by adding
15 any depreciation taken on such facilities or processes, or any
16 nondepreciable costs having been included in the net investment cost
17 allowed as credit, and which depreciation or costs have been allowed
18 as a deduction in arriving at federal taxable income for such year.

19 SECTION 17. AMENDATORY 68 O.S. 2001, Section 2357.4, as
20 last amended by Section 29, Chapter 281, O.S.L. 2006 (68 O.S. Supp.
21 2007, Section 2357.4), is amended to read as follows:

22 Section 2357.4 A. Except as otherwise provided in subsection F
23 of Section 3658 of this title, for taxable years beginning after
24 December 31, 1987, and ending before January 1, 2012, there shall be

1 allowed a credit against the tax imposed by Section 2355 of this
2 title for:

3 1. Investment in qualified depreciable property placed in
4 service during those years for use in a manufacturing operation, as
5 defined in Section 1352 of this title, which has received a
6 manufacturer exemption permit pursuant to the provisions of Section
7 1359.2 of this title or a qualified aircraft maintenance or
8 manufacturing facility as defined in paragraph 14 of Section 1357 of
9 this title in this state or a qualified web search portal as defined
10 paragraph 35 of Section 1357 of this title; or

11 2. A net increase in the number of full-time-equivalent
12 employees engaged in manufacturing, processing or aircraft
13 maintenance in this state including employees engaged in support
14 services.

15 B. Except as otherwise provided in subsection F of Section 3658
16 of this title, for taxable years beginning after December 31, 1998,
17 and ending before January 1, 2012, there shall be allowed a credit
18 against the tax imposed by Section 2355 of this title for:

19 1. Investment in qualified depreciable property with a total
20 cost equal to or greater than Forty Million Dollars (\$40,000,000.00)
21 within three (3) years from the date of initial qualifying
22 expenditure and placed in service in this state during those years
23 for use in the manufacture of products described by any Industry
24

1 Number contained in Division D of Part I of the Standard Industrial
2 Classification (SIC) Manual, latest revision; or

3 2. A net increase in the number of full-time-equivalent
4 employees in this state engaged in the manufacture of any goods
5 identified by any Industry Number contained in Division D of Part I
6 of the Standard Industrial Classification (SIC) Manual, latest
7 revision, if the total cost of qualified depreciable property placed
8 in service by the business entity within the state equals or exceeds
9 Forty Million Dollars (\$40,000,000.00) within three (3) years from
10 the date of initial qualifying expenditure.

11 C. The business entity may claim the credit authorized by
12 subsection B of this section for expenditures incurred or for a net
13 increase in the number of full-time-equivalent employees after the
14 business entity provides proof satisfactory to the Oklahoma Tax
15 Commission that the conditions imposed pursuant to paragraph 1 or
16 paragraph 2 of subsection B of this section have been satisfied.

17 D. If a business entity fails to expend the amount required by
18 paragraph 1 or paragraph 2 of subsection B of this section within
19 the time required, the business entity may not claim the credit
20 authorized by subsection B of this section, but shall be allowed to
21 claim a credit pursuant to subsection A of this section if the
22 requirements of subsection A of this section are met with respect to
23 the investment in qualified depreciable property or net increase in
24 the number of full-time-equivalent employees.

1 E. The credit provided for in subsection A of this section, if
2 based upon investment in qualified depreciable property, shall not
3 be allowed unless the investment in qualified depreciable property
4 is at least Fifty Thousand Dollars (\$50,000.00). The credit
5 provided for in subsection A or B of this section shall not be
6 allowed if the applicable investment is the direct cause of a
7 decrease in the number of full-time-equivalent employees. Qualified
8 property shall be limited to machinery, fixtures, equipment,
9 buildings or substantial improvements thereto, placed in service in
10 this state during the taxable year. The taxable years for which the
11 credit may be allowed if based upon investment in qualified
12 depreciable property shall be measured from the year in which the
13 qualified property is placed in service. If the credit provided for
14 in subsection A or B of this section is calculated on the basis of
15 the cost of the qualified property, the credit shall be allowed in
16 each of the four (4) subsequent years. If the qualified property on
17 which a credit has previously been allowed is acquired from a
18 related party, the date such property is placed in service by the
19 transferor shall be considered to be the date such property is
20 placed in service by the transferee, for purposes of determining the
21 aggregate number of years for which credit may be allowed.

22 F. The credit provided for in subsection A or B of this
23 section, if based upon an increase in the number of full-time-
24 equivalent employees, shall be allowed in each of the four (4)

1 subsequent years only if the level of new employees is maintained in
2 the subsequent year. In calculating the credit by the number of new
3 employees, only those employees whose paid wages or salary were at
4 least Seven Thousand Dollars (\$7,000.00) during each year the credit
5 is claimed shall be included in the calculation. Provided, that the
6 first year a credit is claimed for a new employee, such employee may
7 be included in the calculation notwithstanding paid wages of less
8 than Seven Thousand Dollars (\$7,000.00) if the employee was hired in
9 the last three quarters of the tax year, has wages or salary which
10 will result in annual paid wages in excess of Seven Thousand Dollars
11 (\$7,000.00) and the taxpayer submits an affidavit stating that the
12 employee's position will be retained in the following tax year and
13 will result in the payment of wages in excess of Seven Thousand
14 Dollars (\$7,000.00). The number of new employees shall be
15 determined by comparing the monthly average number of full-time
16 employees subject to Oklahoma income tax withholding for the final
17 quarter of the taxable year with the corresponding period of the
18 prior taxable year, as substantiated by such reports as may be
19 required by the Tax Commission.

20 G. The credit allowed by subsection A of this section shall be
21 the greater amount of either:

22 1. One percent (1%) of the cost of the qualified property in
23 the year the property is placed in service; or

24

1 2. Five Hundred Dollars (\$500.00) for each new employee. No
2 credit shall be allowed in any taxable year for a net increase in
3 the number of full-time-equivalent employees if such increase is a
4 result of an investment in qualified depreciable property for which
5 an income tax credit has been allowed as authorized by this section.

6 H. The credit allowed by subsection B of this section shall be
7 the greater amount of either:

8 1. Two percent (2%) of the cost of the qualified property in
9 the year the property is placed in service; or

10 2. One Thousand Dollars (\$1,000.00) for each new employee.

11 No credit shall be allowed in any taxable year for a net
12 increase in the number of full-time-equivalent employees if such
13 increase is a result of an investment in qualified depreciable
14 property for which an income tax credit has been allowed as
15 authorized by this section.

16 I. Except as provided by subsection G of Section 3658 of this
17 title, any credits allowed but not used in any taxable year may be
18 carried over in order as follows:

19 1. To each of the four (4) years following the year of
20 qualification; and

21 2. To the extent not used in those years in order to each of
22 the fifteen (15) years following the initial five-year period.

23 To the extent not used in paragraphs 1 and 2 of this subsection,
24 such credits from qualified depreciable property placed in service

1 on or after January 1, 2000, may be utilized in any subsequent tax
2 years after the initial twenty-year period.

3 J. Any credit claimed pursuant to the provisions of this act
4 shall be subject to the limitations of subsections A and B of this
5 section.

6 SECTION 18. AMENDATORY 68 O.S. 2001, Section 2357.6, is
7 amended to read as follows:

8 Section 2357.6 Any person or corporation may contribute monies
9 to the Energy Conservation Assistance Fund. ~~Such~~ Before January 1,
10 2013, such contributions shall be entitled to an income tax credit
11 against the state personal or corporate income tax liability of
12 fifty percent (50%) of the amount contributed to the fund for the
13 taxable year in which it was made.

14 SECTION 19. AMENDATORY 68 O.S. 2001, Section 2357.11, as
15 last amended by Section 9, Chapter 44, 2nd Extraordinary Session,
16 O.S.L. 2006 (68 O.S. Supp. 2007, Section 2357.11), is amended to
17 read as follows:

18 Section 2357.11 A. For purposes of this section, the term
19 "person" means any legal business entity including limited and
20 general partnerships, corporations, sole proprietorships, and
21 limited liability companies, but does not include individuals.

22 B. 1. For tax years beginning on or after January 1, 1993 and
23 ending on or before December 31, 2012, there shall be allowed a
24 credit against the tax imposed by Section 1803 or Section 2355 of

1 this title or Section 624 or 628 of Title 36 of the Oklahoma
2 Statutes for every person in this state furnishing water, heat,
3 light or power to the state or its citizens, or for every person in
4 this state burning coal to generate heat, light or power for use in
5 manufacturing operations located in this state.

6 2. For tax years beginning on or after January 1, 1993 and
7 ending on or before December 31, 2005, and for the period of January
8 1, 2006, through June 30, 2006, the credit shall be in the amount of
9 Two Dollars (\$2.00) per ton for each ton of Oklahoma-mined coal
10 purchased by such person.

11 3. For the period of July 1, 2006, through December 31, 2006,
12 and for tax years beginning on or after January 1, 2007, and ending
13 on or before December 31, 2012, the credit shall be in the amount of
14 Two Dollars and eighty-five cents (\$2.85) per ton for each ton of
15 Oklahoma-mined coal purchased by such person.

16 4. In addition to the credit allowed pursuant to the provisions
17 of paragraph 3 of this subsection, for the period of July 1, 2006,
18 through December 31, 2006, and for tax years beginning on or after
19 January 1, 2007, and ending on or before December 31, 2012, there
20 shall be allowed a credit in the amount of Two Dollars and fifteen
21 cents (\$2.15) per ton for each ton of Oklahoma-mined coal purchased
22 by such person. The credit allowed pursuant to the provisions of
23 this paragraph may not be claimed or transferred prior to January 1,
24 2008.

1 C. For tax years beginning on or after January 1, 1995, and
2 ending on or before December 31, 2005, and for the period beginning
3 January 1, 2006, through June 30, 2006, there shall be allowed, in
4 addition to the credits allowed pursuant to subsection B of this
5 section, a credit against the tax imposed by Section 1803 or Section
6 2355 of this title or Section 624 or 628 of Title 36 of the Oklahoma
7 Statutes for every person in this state which:

8 1. Furnishes water, heat, light or power to the state or its
9 citizens, or burns coal to generate heat, light or power for use in
10 manufacturing operations located in this state; and

11 2. Purchases at least seven hundred fifty thousand (750,000)
12 tons of Oklahoma-mined coal in the tax year.

13 The additional credit allowed pursuant to this subsection shall
14 be in the amount of Three Dollars (\$3.00) per ton for each ton of
15 Oklahoma-mined coal purchased by such person.

16 D. Except as otherwise provided in subsection E of this
17 section, for tax years beginning on or after January 1, 2001, and
18 ending on or before December 31, 2012, there shall be allowed a
19 credit against the tax imposed by Section 1803 or Section 2355 of
20 this title or Section 624 or 628 of Title 36 of the Oklahoma
21 Statutes for every person in this state primarily engaged in mining,
22 producing or extracting coal, and holding a valid permit issued by
23 the Oklahoma Department of Mines. For tax years beginning on or
24 after January 1, 2001 and ending on or before December 31, 2005, and

1 for the period beginning January 1, 2006 through June 30, 2006, the
2 credit shall be in the amount of ninety-five cents (\$0.95) per ton
3 and for the period of July 1, 2006 through December 31, 2006, and
4 for tax years beginning on or after January 1, 2007, and ending on
5 or before December 31, 2012, the credit shall be in the amount of
6 Five Dollars (\$5.00) for each ton of coal mined, produced or
7 extracted in on, under or through a permit in this state by such
8 person.

9 E. In addition to the credit allowed pursuant to the provisions
10 of subsection D of this section and except as otherwise provided in
11 subsection F of this section, for tax years beginning on or after
12 January 1, 2001 and ending on or before December 31, 2005, and for
13 the period of January 1, 2006 through June 30, 2006, there shall be
14 allowed a credit against the tax imposed by Section 1803 or Section
15 2355 of this title or Section 624 or 628 of Title 36 of the Oklahoma
16 Statutes for every person in this state primarily engaged in mining,
17 producing or extracting coal, and holding a valid permit issued by
18 the Oklahoma Department of Mines in the amount of ninety-five cents
19 (\$0.95) per ton for each ton of coal mined, produced or extracted
20 from thin seams in this state by such person; provided, the credit
21 shall not apply to such coal sold to any consumer who purchases at
22 least seven hundred fifty thousand (750,000) tons of Oklahoma-mined
23 coal per year.

24

1 F. In addition to the credit allowed pursuant to the provisions
2 of subsection D of this section and except as otherwise provided in
3 subsection G of this section, for tax years beginning on or after
4 January 1, 2005 and ending on or before December 31, 2005, and for
5 the period of January 1, 2006, through June 30, 2006, there shall be
6 allowed a credit against the tax imposed by Section 1803 or Section
7 2355 of this title or that portion of the tax imposed by Section 624
8 or 628 of Title 36 of the Oklahoma Statutes, which is actually paid
9 to and placed into the General Revenue Fund, in the amount of
10 ninety-five cents (\$0.95) per ton for each ton of coal mined,
11 produced or extracted from thin seams in this state by such person
12 on or after July 1, 2005.

13 G. The credits provided in subsections D and E of this section
14 shall not be allowed for coal mined, produced or extracted in any
15 month in which the average price of coal is Sixty-eight Dollars
16 (\$68.00) or more per ton, excluding freight charges, as determined
17 by the Tax Commission.

18 H. The additional credits allowed pursuant to subsections B, C,
19 D and E of this section but not used shall be freely transferable
20 after January 1, 2002, by written agreement to subsequent
21 transferees at any time during the five (5) years following the year
22 of qualification; provided, the additional credits allowed pursuant
23 to the provisions of paragraph 4 of subsection B of this section but
24 not used shall be freely transferable after January 1, 2008, by

1 written agreement to subsequent transferees at any time during the
2 five (5) years following the year of qualification. An eligible
3 transferee shall be any taxpayer subject to the tax imposed by
4 Section 1803 or Section 2355 of this title or Section 624 or 628 of
5 Title 36 of the Oklahoma Statutes. The person originally allowed
6 the credit and the subsequent transferee shall jointly file a copy
7 of the written credit transfer agreement with the Tax Commission
8 within thirty (30) days of the transfer. The written agreement
9 shall contain the name, address and taxpayer identification number
10 of the parties to the transfer, the amount of credit being
11 transferred, the year the credit was originally allowed to the
12 transferring person and the tax year or years for which the credit
13 may be claimed. The Tax Commission may promulgate rules to permit
14 verification of the validity and timeliness of a tax credit claimed
15 upon a tax return pursuant to this subsection but shall not
16 promulgate any rules which unduly restrict or hinder the transfers
17 of such tax credit.

18 I. The additional credit allowed pursuant to subsection F of
19 this section but not used shall be freely transferable on or after
20 July 1, 2006, by written agreement to subsequent transferees at any
21 time during the five (5) years following the year of qualification.
22 An eligible transferee shall be any taxpayer subject to the tax
23 imposed by Section 1803 or Section 2355 of this title or Section 624
24 or 628 of Title 36 of the Oklahoma Statutes. The person originally

1 allowed the credit and the subsequent transferee shall jointly file
2 a copy of the written credit transfer agreement with the Tax
3 Commission within thirty (30) days of the transfer. The written
4 agreement shall contain the name, address and taxpayer
5 identification number of the parties to the transfer, the amount of
6 credit being transferred, the year the credit was originally allowed
7 to the transferring person and the tax year or years for which the
8 credit may be claimed. The Tax Commission may promulgate rules to
9 permit verification of the validity and timeliness of a tax credit
10 claimed upon a tax return pursuant to this subsection but shall not
11 promulgate any rules which unduly restrict or hinder the transfers
12 of such tax credit.

13 J. Any person receiving tax credits pursuant to the provisions
14 of this section shall apply the credits against taxes payable or
15 shall transfer the credits as provided in this section. Credits
16 shall not be used to lower the price of any Oklahoma-mined coal sold
17 that is produced by a subsidiary of the person receiving a tax
18 credit under this section to other buyers of the Oklahoma-mined
19 coal.

20 K. The credits allowed by subsections B, C, D, E and F of this
21 section, upon election of the taxpayer, shall be treated and may be
22 claimed as a payment of tax, a prepayment of tax or a payment of
23 estimated tax for purposes of Section 1803 or 2355 of this title or
24 Section 624 or 628 of Title 36 of the Oklahoma Statutes.

1 L. Any credits allowed pursuant to the provisions of
2 subsections B, C, D, E and F of this section but not used in any tax
3 year may be carried over in order to each of the five (5) years
4 following the year of qualification.

5 SECTION 20. AMENDATORY 68 O.S. 2001, Section 2357.13, is
6 amended to read as follows:

7 Section 2357.13 A. For taxable years beginning after December
8 31, 1999, and ending before January 1, 2014, there shall be allowed
9 a credit against the tax imposed by Section 2355 of this title for
10 investments in qualifying projects, the purpose of which is to
11 encourage the development of commercial space industries in this
12 state.

13 B. As used in this section:

14 1. "Commencement of operations" means the beginning of active
15 operations by a qualifying business of the principal function for
16 which a qualifying project was constructed;

17 2. "Cumulative capital investment" means the total capital
18 investment in land, buildings, and equipment made in connection with
19 a qualifying project during the period from the beginning of
20 construction of the project to the commencement of operations;

21 3. "Eligible capital costs" means all expenses incurred by a
22 qualifying business in connection with the acquisition,
23 construction, installation, and equipping of a qualifying project
24

1 during the period from the beginning of construction of the project
2 to the commencement of operations, including, but not limited to:

- 3 a. costs of acquiring, constructing, installing,
4 equipping, and financing a qualifying project,
5 including all obligations incurred for labor and
6 obligations to contractors, subcontractors, builders,
7 and materialmen,
- 8 b. costs of acquiring land or rights to land and any cost
9 incidental thereto,
- 10 c. costs of architectural and engineering services,
11 including, but not limited to, test borings, surveys,
12 estimates, plans and specifications, preliminary
13 investigations, environmental mitigation, and
14 supervision of construction, as well as the performance
15 of all duties required by or consequent to the
16 acquisition, construction, installation, and equipping
17 of a qualifying project, and
- 18 d. costs associated with the installation of fixtures and
19 equipment, surveys, site tests and inspections,
20 subsurface site work and excavation, removal of
21 structures, roadways, and other surface obstructions,
22 filling, grading, paving, and providing for drainage,
23 storm water retention, and installation of utilities,

24

1 and offsite construction of utility extensions to the
2 boundaries of the property.

3 "Eligible capital costs" shall not include the cost of any
4 property previously owned or leased by the qualifying business;

5 4. "Jobs" means full-time-equivalent positions, as such term is
6 consistent with terms used by Oklahoma Employment Security
7 Commission and the United States Department of Labor for purposes of
8 unemployment tax administration and employment estimation, resulting
9 directly from a project in this state. Such term does not include
10 temporary construction jobs involved in the construction of the
11 project facility;

12 5. "Qualifying business" means a business which establishes a
13 qualifying project in this state and which is certified by the
14 Oklahoma Tax Commission to receive tax credits pursuant to the
15 provisions of this section; and

16 6. "Qualifying project" means a new or expanding facility in
17 this state or a combination of two new or expanding facilities in
18 this state which facility or combination of facilities creates at
19 least one hundred (100) new jobs in this state and is engaged in an
20 industry which the Oklahoma Space Industry Development Authority is
21 authorized to promote.

22 C. The credit provided for in this section shall be in the
23 amount of five percent (5%) of the eligible capital costs generated
24 by a qualifying project. In order to qualify to receive the credit,

1 application shall be made to the Tax Commission, which shall certify
2 the amount of eligible capital costs generated by a qualifying
3 project and the maximum amount of the tax credit to which the
4 taxpayer will be entitled. The credit shall be granted only against
5 the tax liability upon income generated by or arising out of the
6 qualifying project and shall not exceed the following percentages of
7 the corporate income tax liability upon income generated by or
8 arising out of a qualifying project for any tax year in which a
9 credit may be claimed:

10 1. One hundred percent (100%) for a qualifying project which
11 results in a cumulative capital investment of more than One Hundred
12 Million Dollars (\$100,000,000.00);

13 2. Seventy-five percent (75%) for a qualifying project which
14 results in a cumulative capital investment of more than Fifty
15 Million Dollars (\$50,000,000.00), but not exceeding One Hundred
16 Million Dollars (\$100,000,000.00); and

17 3. Fifty percent (50%) for a qualifying project which results
18 in a cumulative capital investment of Twenty-five Million Dollars
19 (\$25,000,000.00) or more, but not exceeding Fifty Million Dollars
20 (\$50,000,000.00).

21 A qualifying project which results in a cumulative capital
22 investment of less than Twenty-five Million Dollars (\$25,000,000.00)
23 shall not be eligible for the credit. No credit may be claimed for
24 investments made prior to July 1, 1999.

1 The amount of any credit allowed but not used in any tax year
2 may be carried over in order to each of the four (4) years following
3 the year of qualification subject to the limitations provided in
4 this subsection. In no event shall any credit granted pursuant to
5 the provisions of this section be transferable or refundable.

6 D. The credit allowed pursuant to the provisions of this
7 section shall not be allowed for any project undertaken by a
8 qualified space transportation vehicle provider in which a credit
9 for an eligible investment is claimed pursuant to the provisions of
10 Section 1 of this act.

11 SECTION 21. AMENDATORY 68 O.S. 2001, Section 2357.24, is
12 amended to read as follows:

13 Section 2357.24 A. For taxable years beginning after December
14 31, 1994, and ending before January 1, 2015, there shall be allowed
15 a deduction from the taxable income of any resident taxpayer who
16 sells to this state any real property in which the taxpayer is the
17 record owner and which real property was the site of a historic
18 battle during the nineteenth century and is or has been designated a
19 National Historic Landmark. For purposes of this section, a
20 "National Historic Landmark" is a district, site, building,
21 structure or object, designated by the Secretary of the Interior as
22 possessing national significance in American history, archaeology,
23 architecture, engineering or culture.

24

1 B. The deduction allowed by this section shall be limited to
2 fifty percent (50%) of any capital gain the owner of the property
3 receives or realizes upon the sale of the property and shall be
4 allowed for the taxable year in which the sale occurred.

5 C. A husband and wife who file separate returns for a taxable
6 year in which they could have filed a joint return may each claim
7 only one-half (1/2) of the tax deduction that would have been
8 allowed for a joint return. If record title to the property is held
9 in more than one individual other than a husband and wife, each
10 owner shall be allowed the deduction in the same percentage as that
11 individual's percentage of ownership in the property. In no event
12 shall the total deduction allowed by this section exceed fifty
13 percent (50%) in the taxable year of the capital gain realized on
14 the sale of the property.

15 D. Record title to the property subject to the provisions of
16 this section may be initially transferred or conveyed by the
17 resident taxpayer to a private, nonprofit organization if the
18 organization transfers or conveys record title to the property to
19 this state within one (1) year of the sale or transfer of the
20 property from the resident taxpayer to the organization. The
21 private, nonprofit organization shall not be entitled to the
22 deduction provided by this section. If record title is not
23 transferred or conveyed to this state by the private, nonprofit
24

1 organization within the one-year period, the resident taxpayer shall
2 not be allowed the deduction.

3 SECTION 22. AMENDATORY 68 O.S. 2001, Section 2357.26, as
4 amended by Section 1, Chapter 441, O.S.L. 2002 (68 O.S. Supp. 2007,
5 Section 2357.26), is amended to read as follows:

6 Section 2357.26 A. For tax years beginning after December 31,
7 2001, and ending before January 1, 2016, there shall be allowed a
8 credit against the tax imposed by Section 2355 of this title for
9 employers incurring eligible expenses in connection with the
10 provision of child care services.

11 B. As used in this section:

12 1. "Eligible expenses" means amounts paid for:

13 a. the purchase of qualifying child care services that
14 are actually provided to children of employees, at a
15 program licensed by the Department of Human Services
16 with a rating of two stars or higher pursuant to rules
17 promulgated by the Department, at a:

18 (1) child care center, or

19 (2) family child care home,

20 b. planning, preparing a site and constructing a child
21 care center,

22 c. renovating or remodeling a structure to be used for a
23 child care center,
24

- d. purchasing equipment necessary for use by a child care center,
- e. expanding a child care center,
- f. maintaining and operating a child care center, including paying direct administrative and staff costs,
- g. purchasing child care slots actually provided or reserved for children of employees, or
- h. fees and grants provided to child care resource and referral organizations doing business within this state; and

2. "Employer" means a taxpayer who employs one or more full-time-equivalent employees and whose primary source of income is from a business other than the business of providing child care services.

C. In lieu of a deduction from taxable income, the credit allowed by subsection A of this section shall be twenty percent (20%) of the amount of eligible expenses.

D. The amount of eligible expenses upon which the credit will be based in any taxable year shall be limited to:

1. Three Thousand One Hundred Dollars (\$3,100.00) for expenses described in subparagraph a of paragraph 1 of subsection B of this section for each child of an employee receiving qualifying child care services;

1 2. Fifty Thousand Dollars (\$50,000.00) for expenses described
2 in subparagraphs b through g of paragraph 1 of subsection B of this
3 section; and

4 3. Five Thousand Dollars (\$5,000.00) for expenses described in
5 subparagraph h of paragraph 1 of subsection B of this section.

6 E. Any credits allowed but not used in any tax year may be
7 carried over in order to each of the four (4) tax years following
8 the year of qualification.

9 F. The Oklahoma Tax Commission, on or before January 31 of each
10 year, shall submit a report regarding the credit authorized by this
11 section to both houses of the Oklahoma Legislature. Such report
12 shall summarize the total amount of credits claimed and likely to be
13 claimed and allowed under this section.

14 SECTION 23. AMENDATORY 68 O.S. 2001, Section 2357.27, as
15 amended by Section 1, Chapter 347, O.S.L. 2004 (68 O.S. Supp. 2007,
16 Section 2357.27), is amended to read as follows:

17 Section 2357.27 A. For tax years beginning after December 31,
18 1998, and ending before January 1, 2017, there shall be allowed a
19 credit against the tax imposed by Section 2355 of this title for
20 eligible expenses incurred by entities primarily engaged in the
21 business of providing child care services.

22 B. As used in this section, "eligible expenses" means amounts
23 paid by an entity primarily engaged in the business of providing
24 child care services for expenses incurred by the entity to comply

1 with the standards promulgated by a national accrediting association
2 recognized by the Department of Human Services and which would not
3 have been incurred by the entity to comply with the Oklahoma Child
4 Care Facilities Licensing Act.

5 C. The credit allowed by subsection A of this section shall be
6 twenty percent (20%) of the amount of eligible expenses. Such
7 credit shall not be allowed for any amounts for which the entity
8 claims or receives an income tax credit, exemption or deduction.

9 D. Any credits allowed but not used in any tax year may be
10 carried over in order to each of the four (4) tax years following
11 the year of qualification.

12 SECTION 24. AMENDATORY 68 O.S. 2001, Section 2357.30, is
13 amended to read as follows:

14 Section 2357.30 A. As used in this section, "small business"
15 means any corporation, partnership, sole proprietorship or other
16 business entity qualifying as "small" under the standards contained
17 in Section 121 of Title 13 of the Code of Federal Regulations (13
18 C.F.R., Section 121).

19 B. For taxable years beginning after December 31, 1998, and
20 ending before January 1, 2018, every small business operating within
21 this state shall be entitled to claim as a credit against the tax
22 imposed by Section 2355 of ~~Title 68 of the Oklahoma Statutes~~ this
23 title, subject to the limitations provided by subsection C of this
24 section, any amount paid to the U.S. Small Business Administration

1 as a guaranty fee pursuant to the obtaining of financing guaranteed
2 by the Small Business Administration.

3 C. The credit authorized by this section shall only be claimed
4 against the tax liability resulting from income generated by the
5 small business. If an income tax return upon which this credit is
6 claimed includes taxable income from sources other than the small
7 business, the credit shall only be allowed to be claimed upon a
8 percentage of the income tax liability which does not exceed the
9 percentage of income generated by the small business as compared to
10 the total Oklahoma adjusted gross income shown on the return. The
11 Oklahoma Tax Commission shall promulgate rules and prescribe forms
12 to implement the provisions of this section.

13 D. If the credit authorized by this section exceeds the amount
14 of income taxes due or if there are no state income taxes due on the
15 income of the taxpayer as computed pursuant to the provisions of
16 subsection C of this section, the amount of the credit not used may
17 be carried forward as a credit against subsequent income tax
18 liability for a period not to exceed five (5) years. The credit
19 shall be claimable only by the small business which is the primary
20 obligor in the financing transaction and which actually paid the
21 guaranty fee.

22 SECTION 25. AMENDATORY 68 O.S. 2001, Section 2357.31, is
23 amended to read as follows:

24 Section 2357.31 A. As used in this section:

1 1. "Eligible employer" means a corporation, partnership or
2 proprietorship which:

3 a. has done business in this state for at least one (1)
4 year,

5 b. has not provided group health insurance within the
6 fifteen (15) months preceding the offer to purchase
7 group health insurance which meets the requirements of
8 this section to at least seventy-five percent (75%) of
9 its employees who are residents of this state and work
10 an average of twenty-four (24) hours or more a week
11 for said employer,

12 c. offers the state-certified, basic health benefits plan
13 to all eligible employees who worked an average of
14 twenty-four (24) hours or more a week during the
15 calendar quarter preceding the purchase of the policy,
16 and

17 d. pays fifty percent (50%) or more of the full cost of
18 the portion of the premium attributable to the
19 employee for which the employer is claiming credit;

20 2. "Eligible employee" means an employee, proprietor or partner
21 of the employer claiming the credit who:

22 a. is a resident of this state,

23 b. works an average of twenty-four (24) hours a week or
24 more for the employer, and

1 c. was not covered by a group health insurance policy or
2 plan offered by the same employer within the fifteen
3 (15) months preceding the offer to purchase health
4 insurance which meets the requirements of this
5 section; and

6 3. "State-certified, basic health benefits plan" means the
7 basic health benefits plan developed and approved by the Oklahoma
8 Basic Health Benefits Board prior to July 1, 1995.

9 B. 1. For tax years beginning after December 31, 1990, and
10 ending before January 1, 2011, there shall be allowed to an eligible
11 employer a credit against the tax imposed by Section 2355 of this
12 title for premiums paid on behalf of each eligible employee who
13 elects to participate in the state-certified, basic health benefits
14 plan and meets the requirements of this section. The credit shall
15 be in the amount of Fifteen Dollars (\$15.00) a month for each
16 eligible employee and shall be allowed for two (2) consecutive tax
17 years. Provided, if the tax liability of an employer pursuant to
18 Section 2355 of this title is less than the credit to which the
19 employer is entitled pursuant to this section, the Oklahoma Tax
20 Commission shall pay a refund to the employer. The refund shall
21 equal the difference between the amount of taxes owed, after any
22 other credits or exemptions to which the employer is entitled have
23 been applied to the tax liability, and the credit to which the
24 employer is entitled pursuant to this section for the tax year.

1 2. Tax credits or refunds may not be granted pursuant to the
2 provisions of this section to an employer who, prior to July 1,
3 1995, was not covered under a state-certified, basic health benefits
4 plan.

5 C. The credit shall not be granted unless the eligible employer
6 certifies to the Oklahoma Tax Commission that each employee for
7 which the credit is claimed is participating in the state-certified,
8 basic health benefits plan.

9 D. The Oklahoma Tax Commission shall develop and issue
10 appropriate forms and instructions to enable eligible employers to
11 claim the tax credit. The Commission shall promulgate rules to
12 facilitate the implementation of this section.

13 SECTION 26. AMENDATORY 68 O.S. 2001, Section 2357.32A,
14 as last amended by Section 10, Chapter 44, 2nd Extraordinary
15 Session, O.S.L. 2006 (68 O.S. Supp. 2007, Section 2357.32A), is
16 amended to read as follows:

17 Section 2357.32A A. For tax years beginning on or after
18 January 1, 2003, and ending before January 1, 2012, there shall be
19 allowed a credit against the tax imposed by Section 2355 of this
20 title to a taxpayer for the taxpayer's production and sale to an
21 unrelated person of electricity generated by zero-emission
22 facilities located in this state. As used in this section:

23 1. "Electricity generated by zero-emission facilities" means
24 electricity that is exclusively produced by any facility located in

1 this state with a rated production capacity of one megawatt (1 mw)
2 or greater, constructed for the generation of electricity and placed
3 in operation after June 4, 2001, which utilizes eligible renewable
4 resources as its fuel source. The construction and operation of
5 such facilities shall result in no pollution or emissions that are
6 or may be harmful to the environment, pursuant to a determination by
7 the Department of Environmental Quality; and

8 2. "Eligible renewable resources" means resources derived from:

9 a. wind,

10 b. moving water,

11 c. sun, or

12 d. geothermal energy.

13 B. For facilities placed in operation on or after January 1,
14 2003, and before January 1, 2007, the electricity generated on or
15 after January 1, 2003, but prior to January 1, 2004, the amount of
16 the credit shall be seventy-five one hundredths of one cent
17 (\$0.0075) for each kilowatt-hour of electricity generated by zero-
18 emission facilities. For electricity generated on or after January
19 1, 2004, but prior to January 1, 2007, the amount of the credit
20 shall be fifty one hundredths of one cent (\$0.0050) per kilowatt-
21 hour for electricity generated by zero-emission facilities. For
22 electricity generated on or after January 1, 2007, but prior to
23 January 1, 2012, the amount of the credit shall be twenty-five one
24 hundredths of one cent (\$0.0025) per kilowatt-hour of electricity

1 generated by zero-emission facilities. For facilities placed in
2 operation on or after January 1, 2007, and before January 1, ~~2016~~
3 2012, for the electricity generated by these facilities the amount
4 of the credit shall be fifty one hundredths of one cent (\$0.0050)
5 for each kilowatt-hour of electricity generated by zero-emission
6 facilities.

7 C. ~~Credits~~ Subject to the limitations provided in subsection A
8 of this section, credits may be claimed with respect to electricity
9 generated on or after January 1, 2003, during a ten-year period
10 following the date that the facility is placed in operation on or
11 after June 4, 2001.

12 D. If the credit allowed pursuant to this section exceeds the
13 amount of income taxes due or if there are no state income taxes due
14 on the income of the taxpayer, the amount of the credit allowed but
15 not used in any tax year may be carried forward as a credit against
16 subsequent income tax liability for a period not exceeding ten (10)
17 years.

18 E. Any nontaxable entities, including agencies of the State of
19 Oklahoma or political subdivisions thereof, shall be eligible to
20 establish a transferable tax credit in the amount provided in
21 subsection B of this section. Such tax credit shall be a property
22 right available to a state agency or political subdivision of this
23 state to transfer or sell to a taxable entity, whether individual or
24 corporate, who shall have an actual or anticipated income tax

1 liability under Section 2355 of this title. These tax credit
2 provisions are authorized as an incentive to the State of Oklahoma,
3 its agencies and political subdivisions to encourage the expenditure
4 of funds in the development, construction and utilization of
5 electricity from zero-emission facilities as defined in subsection A
6 of this section.

7 F. The amount of the credit allowed, but not used, shall be
8 freely transferable at any time during the ten (10) years following
9 the year of qualification. Any person to whom or to which a tax
10 credit is transferred shall have only such rights to claim and use
11 the credit under the terms that would have applied to the entity by
12 whom or by which the tax credit was transferred. The provisions of
13 this subsection shall not limit the ability of a tax credit
14 transferee to reduce the tax liability of the transferee, regardless
15 of the actual tax liability of the tax credit transferor, for the
16 relevant taxable period. The transferor initially allowed the
17 credit and any subsequent transferees shall jointly file a copy of
18 any written transfer agreement with the Oklahoma Tax Commission
19 within thirty (30) days of the transfer. The written agreement
20 shall contain the name, address and taxpayer identification number
21 or social security number of the parties to the transfer, the amount
22 of the credit being transferred, the year the credit was originally
23 allowed to the transferor, and the tax year or years for which the
24 credit may be claimed. The Tax Commission may promulgate rules to

1 permit verification of the validity and timeliness of the tax credit
2 claimed upon a tax return pursuant to this subsection but shall not
3 promulgate any rules that unduly restrict or hinder the transfers of
4 such tax credit. The tax credit allowed by this section, upon the
5 election of the taxpayer, may be claimed as a payment of tax, a
6 prepayment of tax or a payment of estimated tax for purposes of
7 Section 1803 or Section 2355 of this title.

8 G. For electricity generation produced and sold in a calendar
9 year, the tax credit allowed by the provisions of this section, upon
10 election of the taxpayer, shall be treated and may be claimed as a
11 payment of tax, a prepayment of tax or a payment of estimated tax
12 for purposes of Section 2355 of this title on or after July 1 of the
13 following calendar year.

14 SECTION 27. AMENDATORY 68 O.S. 2001, Section 2357.33, as
15 amended by Section 1, Chapter 144, O.S.L. 2004 (68 O.S. Supp. 2007,
16 Section 2357.33), is amended to read as follows:

17 Section 2357.33 A. For taxable years beginning after December
18 31, 1999, and ending before January 1, 2013, there shall be allowed
19 a credit against the tax imposed by Section 2355 of this title for
20 amounts paid by a taxpayer operating one or more food service
21 establishments for immunizations against Hepatitis A for employees
22 of the taxpayer who work in such establishments.

23 B. As used in this section, "food service establishment" means
24 an establishment where food or drink is offered for sale or sold to

1 the public and which is licensed pursuant to the provisions of
2 Section 1-1118 of Title 63 of the Oklahoma Statutes.

3 C. The amount of the credit allowed pursuant to the provisions
4 of this section for each employee of the taxpayer shall not exceed
5 the usual and customary fee that would be allowed for an
6 immunization against Hepatitis A as approved by the State and
7 Education Employees Group Insurance Board.

8 D. The credit provided by this section shall be available to
9 the taxpayer in the tax year in which an employee was immunized and
10 shall not carry forward to subsequent tax years. Such credit shall
11 not be refunded to the taxpayer.

12 SECTION 28. AMENDATORY 68 O.S. 2001, Section 2357.40, as
13 amended by Section 6, Chapter 429, O.S.L. 2005 (68 O.S. Supp. 2007,
14 Section 2357.40), is amended to read as follows:

15 Section 2357.40 A. Upon receiving notification from the
16 Director of the Oklahoma Tourism and Recreation Department that an
17 approved company has entered into a tourism project agreement or a
18 film and music production and development facility project agreement
19 and is entitled to the inducements provided by the Oklahoma Tourism
20 Development Act, the Oklahoma Tax Commission shall provide the
21 approved company with forms and instructions as necessary to claim
22 those inducements.

23 B. ~~An~~ Before January 1, 2014, an approved company whose
24 agreement provides that it shall expend approved costs of more than

1 Five Hundred Thousand Dollars (\$500,000.00) but less than One
2 Million Dollars (\$1,000,000.00) shall be entitled to an income tax
3 credit or a sales tax credit if the company certifies to the Tax
4 Commission that it has expended at least Five Hundred Thousand
5 Dollars (\$500,000.00) in approved costs, and the Director certifies
6 that the approved company is in compliance with the Oklahoma Tourism
7 Development Act. The Tax Commission shall then issue a tax credit
8 memorandum to the approved company granting an income tax credit or
9 sales tax credit in the amount of ten percent (10%) of the approved
10 costs. Subsequent requests for credit for additional certified
11 approved costs in excess of Five Hundred Thousand Dollars
12 (\$500,000.00) but less than One Million Dollars (\$1,000,000.00)
13 shall result in an income tax credit or sales tax credit in the
14 amount of ten percent (10%) of the approved costs. Income tax
15 credits or sales tax credits allowed pursuant to the provisions of
16 the Oklahoma Tourism Development Act shall not be transferable or
17 assignable.

18 ~~An~~ Before January 1, 2014, an approved company whose agreement
19 provides that it shall expend approved costs in excess of One
20 Million Dollars (\$1,000,000.00) shall be entitled to an income tax
21 credit or sales tax credit if the company certifies to the Tax
22 Commission that it has expended at least One Million Dollars
23 (\$1,000,000.00) in approved costs and the Director certifies that
24 the approved company is in compliance with the Oklahoma Tourism

1 Development Act. The Tax Commission shall then issue a tax credit
2 memorandum to the approved company granting an income tax credit or
3 sales tax credit in the amount of twenty-five percent (25%) of the
4 approved costs. The credit on all subsequent additional certified
5 approved costs shall be in the amount of twenty-five percent (25%)
6 of the costs.

7 The Tax Commission may require proof of expenditures.
8 Additional credit memoranda may be issued as the approved company
9 certifies additional expenditures of approved costs.

10 No tax credit memorandum shall be issued for any approved costs
11 expended after the expiration of two (2) years from the date the
12 agreement was signed by the Director and the approved company.
13 However, the Director, with the advice and consent of the Tax
14 Commission, may authorize tax credits for approved costs expended up
15 to four (4) years from the date the agreement was signed if the
16 Director determines that the failure to complete the tourism
17 attraction project within two (2) years resulted from:

18 1. Unanticipated and unavoidable delay in the construction of
19 the tourism attraction or film and music production and development
20 facility project;

21 2. An original completion date for the tourism attraction or
22 film and music production and development facility project, as
23 originally planned, which will be more than two (2) years from the
24 date construction began; or

1 3. A change in business ownership or business structure
2 resulting from a merger or acquisition.

3 C. 1. An income tax credit allowed pursuant to the provisions
4 of this section shall be applied to the amount of income taxes due
5 from the approved company. If the amount of an income tax credit
6 allowed pursuant to the provisions of this section exceeds the
7 amount of income taxes due for the year in which the credit is
8 granted, the amount of the credit not used may be carried forward
9 for a period not to exceed ten (10) years.

10 2. A sales tax credit allowed pursuant to the provisions of
11 this section may be used to offset a portion of the reported state
12 sales tax liability of the approved company for all sales tax
13 reporting periods following the issuance of the credit memorandum
14 subject to the following limitations:

- 15 a. only increased state sales tax liability may be offset
16 by the issued credit,
- 17 b. an approved company whose agreement provides that it
18 shall expend approved costs in excess of One Million
19 Dollars (\$1,000,000.00) shall be entitled to use only
20 ten percent (10%) of the amount of each issued credit
21 to offset increased state sales tax liability during
22 each calendar year, plus the amount of any unused
23 credit carried forward from a prior calendar year, and
24 an approved company whose agreement provides that it

1 shall expend approved costs of more than Five Hundred
2 Thousand Dollars (\$500,000.00) but less than One
3 Million Dollars (\$1,000,000.00) shall be entitled to
4 use only twenty percent (20%) of the amount of each
5 issued credit to offset increased state sales tax
6 liability during each calendar year, plus the amount
7 of any unused credit carried forward from a prior
8 calendar year, and

9 c. all issued credit memoranda shall expire at the end of
10 the month following the expiration of the agreement as
11 provided in Section 2357.39 of this title.

12 The approved company shall have no obligation to refund or
13 otherwise return any amount of this credit to the person from whom
14 the sales tax was collected.

15 D. The Tax Commission shall promulgate rules as are necessary
16 for the proper administration of the Oklahoma Tourism Development
17 Act. The Tax Commission may also develop forms and instructions as
18 necessary for an approved company to claim the income tax credit
19 provided by the Oklahoma Tourism Development Act.

20 E. The Tax Commission shall have the authority to obtain any
21 information necessary from the approved company and the Director to
22 verify that approved companies have received the proper amounts of
23 tax credits as authorized by the Oklahoma Tourism Development Act.
24 The Oklahoma Tax Commission shall demand the repayment of any

1 credits taken in excess of the credit allowed by the Oklahoma
2 Tourism Development Act.

3 SECTION 29. AMENDATORY 68 O.S. 2001, Section 2357.41, as
4 last amended by Section 15, Chapter 272, O.S.L. 2006 (68 O.S. Supp.
5 2007, Section 2357.41), is amended to read as follows:

6 Section 2357.41 A. For tax years beginning after December 31,
7 2000, and ending before January 1, 2015, there shall be allowed a
8 credit against the tax imposed by Sections 2355 and 2370 of this
9 title or that portion of the tax imposed by Section 624 or 628 of
10 Title 36 of the Oklahoma Statutes that would otherwise have been
11 apportioned to the General Revenue Fund for qualified rehabilitation
12 expenditures incurred in connection with any certified historic
13 hotel or historic newspaper plant building located in an increment
14 or incentive district created pursuant to the Local Development Act
15 or for qualified rehabilitation expenditures incurred after January
16 1, 2006, in connection with any certified historic structure.

17 B. The amount of the credit shall be one hundred percent (100%)
18 of the federal rehabilitation credit provided for in Section 47 of
19 Title 26 of the United States Code. The credit authorized by this
20 section may be claimed at any time after the relevant local
21 governmental body responsible for doing so issues a certificate of
22 occupancy or other document that is a precondition for the
23 applicable use of the building or structure that is the basis upon
24 which the credit authorized by this section is claimed.

1 C. All requirements with respect to qualification for the
2 credit authorized by Section 47 of Title 26 of the United States
3 Code shall be applicable to the credit authorized by this section.

4 D. If the credit allowed pursuant to this section exceeds the
5 amount of income taxes due or if there are no state income taxes due
6 on the income of the taxpayer, the amount of the credit allowed but
7 not used in any taxable year may be carried forward as a credit
8 against subsequent income tax liability for a period not exceeding
9 ten (10) years following the qualified expenditures.

10 E. All rehabilitation work to which the credit may be applied
11 shall be reviewed by the State Historic Preservation Office which
12 will in turn forward the information to the National Park Service
13 for certification in accordance with 36 C.F.R., Part 67. A
14 certified historic structure may be rehabilitated for any lawful use
15 or uses, including without limitation mixed uses and still retain
16 eligibility for the credit provided for in this section.

17 F. The amount of the credit allowed for any credit claimed for
18 a certified historic hotel or historic newspaper plant building or
19 any certified historic structure, but not used, shall be freely
20 transferable to subsequent transferees at any time during the five
21 (5) years following the year of qualification. Any person to whom
22 or to which a tax credit is transferred shall have only such rights
23 to claim and use the credit under the terms that would have applied
24 to the entity by whom or by which the tax credit was transferred.

1 The provisions of this subsection shall not limit the ability of a
2 tax credit transferee to reduce the tax liability of the transferee
3 regardless of the actual tax liability of the tax credit transferor
4 for the relevant taxable period. The transferor originally allowed
5 the credit and the subsequent transferee shall jointly file a copy
6 of the written credit transfer agreement with the Oklahoma Tax
7 Commission within thirty (30) days of the transfer. The written
8 agreement shall contain the name, address and taxpayer
9 identification number of the parties to the transfer, the amount of
10 credit being transferred, the year the credit was originally allowed
11 to the transferor and the tax year or years for which the credit may
12 be claimed. The Tax Commission shall develop a standard form for
13 use by subsequent transferees of the credit demonstrating
14 eligibility for the transferee to reduce its applicable tax
15 liabilities resulting from ownership of the credit. The Tax
16 Commission may promulgate rules to permit verification of the
17 validity and timeliness of a tax credit claimed upon a tax return
18 pursuant to this subsection but shall not promulgate any rules which
19 unduly restrict or hinder the transfers of such tax credit.

20 G. As used in this section:

21 1. "Certified historic hotel or historic newspaper plant
22 building" means a hotel or newspaper plant building that is listed
23 on the National Register of Historic Places within thirty (30)
24 months of taking the credit pursuant to this section.

1 2. "Certified historic structure" means a building that is
2 listed on the National Register of Historic Places within thirty
3 (30) months of taking the credit pursuant to this section or a
4 building located in Oklahoma which is certified by the State
5 Historic Preservation Office as contributing to the historic
6 significance of a certified historic district listed on the National
7 Register of Historic Places, or a local district that has been
8 certified by the State Historic Preservation Office as eligible for
9 listing in the National Register of Historic Places; and

10 3. "Qualified rehabilitation expenditures" means capital
11 expenditures that qualify for the federal rehabilitation credit
12 provided in Section 47 of Title 26 of the United States Code and
13 that were paid after December 31, 2000. Qualified rehabilitation
14 expenditures do not include capital expenditures for nonhistoric
15 additions except an addition that is required by state or federal
16 regulations that relate to safety or accessibility. In addition,
17 qualified rehabilitation expenditures do not include expenditures
18 related to the cost of acquisition of the property.

19 SECTION 30. AMENDATORY Section 19, Chapter 472, O.S.L.
20 2003, as amended by Section 3, Chapter 518, O.S.L. 2004 (68 O.S.
21 Supp. 2007, Section 2357.45), is amended to read as follows:

22 Section 2357.45 A. 1. For tax years beginning after December
23 31, 2004, and ending before January 1, 2016, there shall be allowed
24 against the tax imposed by Section 2355 of this title, a credit for

1 any taxpayer who makes a donation to an independent biomedical
2 research institute. For calendar years 2005 and 2006, the amount of
3 the credit shall be fifty percent (50%) of the amount donated to an
4 independent biomedical research institute but in no event shall the
5 credit exceed One Thousand Dollars (\$1,000.00) for each taxpayer.
6 For calendar year 2007 and all subsequent years, the credit
7 percentage, not to exceed fifty percent (50%), shall be adjusted
8 annually so that the total estimate of the credits does not exceed
9 Two Million Dollars (\$2,000,000.00) annually. The formula to be
10 used for the percentage adjusted shall be fifty percent (50%) times
11 Two Million Dollars (\$2,000,000.00) divided by the credits claimed
12 in the preceding year. In no event shall the credit be claimed more
13 than once by a taxpayer each taxable year nor shall the credit
14 exceed One Thousand Dollars (\$1,000.00) for each taxpayer. In the
15 event the total tax credits authorized by this section exceed Two
16 Million Dollars (\$2,000,000.00) in any calendar year, the Oklahoma
17 Tax Commission shall permit any excess over Two Million Dollars
18 (\$2,000,000.00) but shall factor such excess into the percentage
19 adjustment formula for subsequent years.

20 2. For purposes of this section, "independent biomedical
21 research institute" means an organization which is exempt from
22 taxation pursuant to the provisions of Section 501(c)(3) of the
23 Internal Revenue Code, 26 U.S.C., Section 501(c)(3) whose primary
24

1 focus is conducting peer-reviewed basic biomedical research. The
2 organization shall:

- 3 a. have a board of directors,
- 4 b. be able to accept grants in its own name,
- 5 c. be an identifiable institute that has its own
6 employees and administrative staff, and
- 7 d. receive at least Fifteen Million Dollars
8 (\$15,000,000.00) in National Institute of Health
9 funding each year.

10 B. In no event shall the amount of the credit exceed the amount
11 of any tax liability of the taxpayer.

12 C. Any credits allowed but not used in any tax year may be
13 carried over, in order, to each of the four (4) years following the
14 year of qualification.

15 D. The Tax Commission shall have the authority to prescribe
16 forms for purposes of claiming the credit authorized by this
17 section.

18 SECTION 31. AMENDATORY 68 O.S. 2001, Section 2357.81, is
19 amended to read as follows:

20 Section 2357.81 A. Subject to the limitation imposed pursuant
21 to ~~subsection C of Section 11 of this act~~ Section 842 of Title 62 of
22 the Oklahoma Statutes, for taxable years beginning after December
23 31, 2000, and ending before January 1, 2017, there shall be allowed
24 as a credit against the tax imposed pursuant to Section 2355 of

1 ~~Title 68 of the Oklahoma Statutes~~ this title, an amount equal to one
2 hundred percent (100%) of the amount of ad valorem taxes exempted
3 pursuant to the provisions of Section 860 of Title 62 of the
4 Oklahoma Statutes for an enterprise locating a new facility within
5 or expanding an existing facility within an enterprise zone as
6 designated pursuant to Section 690.2 of Title ~~68~~ 62 of the Oklahoma
7 Statutes if such facility is also located within an incentive
8 district.

9 B. The income tax credit authorized by this section shall only
10 be available, to the extent otherwise allowable, for ad valorem
11 taxes for which an exemption has been provided pursuant to Section
12 860 of Title 62 of the Oklahoma Statutes on or after January 1,
13 2001. The county assessor of the county in which the facility is
14 located, or any part of the facility, shall provide an annual
15 certification to the Oklahoma Tax Commission not later than January
16 31 of each calendar year as to the amount of ad valorem taxes which
17 would have been payable by the owner of the facility without the
18 exemption provided by Section 860 of Title 62 of the Oklahoma
19 Statutes.

20 C. In order to claim the credit authorized by this section, the
21 taxpayer shall obtain a certification from the local governing body
22 approving the incentive district which shall be acknowledged by the
23 chief elected official of the local governing body. The
24 certification shall be signed by the Director of the Oklahoma

1 Department of Commerce or designee, that the facility is located
2 within an enterprise zone. The signature required by this
3 subsection shall be acknowledged in the manner provided by law.

4 D. The credit authorized by this section shall be allowable
5 only to the extent of ad valorem taxes which would have been levied
6 upon the taxable value of real property and improvements physically
7 attached to real property constituting the eligible facility without
8 the exemption provided by Section 860 of Title 62 of the Oklahoma
9 Statutes and shall not be allowable to the extent that the credit is
10 claimed for ad valorem taxes which would have been levied upon the
11 taxable value of personal property of the enterprise even if the
12 incentive granted by the participating governmental entities in the
13 incentive district includes personal property.

14 E. If the tax credit authorized by this section exceeds the
15 amount of taxes due or if there are no state taxes due of the
16 taxpayer, the amount of the claim not used as an offset against the
17 taxes of a taxable year may be carried forward for a period not to
18 exceed ten (10) years.

19 SECTION 32. AMENDATORY Section 1, Chapter 301, O.S.L.
20 2005, as amended by Section 1, Chapter 260, O.S.L. 2006 (68 O.S.
21 Supp. 2007, Section 2357.101), is amended to read as follows:

22 Section 2357.101 A. For taxable years beginning after December
23 31, 2004, and ending before January 1, 2018, there shall be allowed
24 against the tax imposed by Section 2355 of ~~Title 68 of the Oklahoma~~

1 ~~Statutes~~ this title, a credit equal to twenty-five percent (25%) of
2 the amount of profit made by a taxpayer from investment in an
3 existing Oklahoma film or music project with a production company to
4 pay for production costs that is reinvested by the taxpayer with the
5 production company to pay for the production cost of the production
6 company for a new Oklahoma film or music project.

7 B. In no event shall the amount of the credit provided for in
8 subsection A of this section for an eligible taxpayer exceed the tax
9 liability of the taxpayer in a calendar year.

10 C. The Oklahoma Tax Commission shall have the authority to
11 prescribe forms for purposes of claiming the credit authorized in
12 subsection A of this section. The forms shall include, but not be
13 limited to, requests for information that prove who the investment
14 was with, the amount of the original investment and the amount of
15 the profit realized from the investment.

16 D. As used in this section:

17 1. "Film" means a professional single media, multimedia program
18 or feature, which is not child pornography as defined in subsection
19 A of Section 1024.1 of Title 21 of the Oklahoma Statutes or obscene
20 material as defined in paragraph 1 of subsection B of Section 1024.1
21 of Title 21 of the Oklahoma Statutes including, but not limited to,
22 national advertising messages that are broadcast on a national
23 affiliate or cable network, fixed on film or digital video, which
24 can be viewed or reproduced and which is exhibited in theaters,

1 licensed for exhibition by individual television stations, groups of
2 stations, networks, cable television stations or other means or
3 licensed for home viewing markets;

4 2. "Music project" means a professional recording released on a
5 national or international level, whether via traditional
6 manufacturing or distributing or electronic distribution, using
7 technology currently in use or future technology including, but not
8 limited to, music CDs, radio commercials, jingles, cues, or
9 electronic device recordings;

10 3. "Production company" means a person who produces a film or
11 music project for exhibition in theaters, on television or
12 elsewhere;

13 4. "Total production cost" includes, but is not limited to:

14 a. wages or salaries of persons who have earned income
15 from working on a film or music project in this state,
16 including payments to personal services corporations
17 with respect to the services of qualified performing
18 artists, as determined under Section 62(a)(A) of the
19 Internal Revenue Code,

20 b. the cost of construction and operations, wardrobe,
21 accessories and related services,

22 c. the cost of photography, sound synchronization,
23 lighting and related services,

24 d. the cost of editing and related services,

- e. rental of facilities and equipment, and
- f. other direct costs of producing a film or music project;

5. "Existing Oklahoma film or music project" means a film or music project produced after July 1, 2005;

6. "Profit" means the amount made by the taxpayer to be determined as follows:

- a. the gross revenues less gross expenses, including direct production, distribution and marketing costs and an allocation of indirect overhead costs, of the film or music project shall be multiplied by,
- b. a ratio, the numerator of which is Oklahoma production costs, as defined in paragraph 7 of this subsection, and the denominator of which is total production costs, as defined in paragraph 4 of this subsection, which shall be multiplied by,
- c. the percent of the taxpayer's taxable income allocated to Oklahoma in a taxable year, and
- d. subtract from the result of the formula calculated pursuant to subparagraphs a through c of this paragraph the profit made by a taxpayer from investment in an existing Oklahoma film or music project in previous taxable years. Profit shall include either a net profit or net loss;

1 7. "Oklahoma production cost" means that portion of total
2 production costs which are incurred with any qualified vendor;

3 8. a. "Qualified vendor" means an Oklahoma entity which
4 provides goods or services to a production company and
5 for which:

6 (1) fifty percent (50%) or more of its employees are
7 Oklahoma residents, and

8 (2) fifty percent (50%) or more of gross wages, as
9 reported on Internal Revenue Service Form W-2 or
10 Form 1099, are paid to Oklahoma residents.

11 b. For purposes of this paragraph, an employee shall
12 include a self-employed individual reporting income
13 from a qualified vendor on Internal Revenue Service
14 Form 1040.

15 c. The Oklahoma Tax Commission shall prescribe forms by
16 which an entity may be certified to a production
17 company as a qualified vendor for purposes of this
18 section; and

19 9. "Investment" means costs associated with the original
20 production company. Film or music projects acquired from an
21 original production company do not qualify as investment under
22 subsection A of this section.

1 SECTION 33. AMENDATORY Section 11, Chapter 381, O.S.L.
2 2005 (68 O.S. Supp. 2007, Section 2357.102), is amended to read as
3 follows:

4 Section 2357.102 A. For taxable years beginning after December
5 31, 2005, and ending before January 1, 2011, there shall be allowed
6 a credit against the tax imposed by Section 2355 of ~~Title 68 of the~~
7 ~~Oklahoma Statutes~~ this title for the cost of the purchase of a dry
8 fire hydrant or the cost to provide an acceptable means of water
9 storage for such dry fire hydrant including a pond, tank, or other
10 storage facility with the primary purpose of fire protection within
11 the State of Oklahoma. The credit shall be equal to fifty percent
12 (50%) of the purchase price of the dry fire hydrant or the actual
13 expenditure for any new water storage construction, equipment,
14 development and installation of the dry hydrant, including pipes,
15 valves, hydrants, and labor for each installation of a dry hydrant
16 or new water storage facility but in no event shall the amount of
17 the credit exceed Five Thousand Dollars (\$5,000.00) for each
18 taxpayer.

19 B. In order to qualify for the tax credit provided for in
20 subsection A of this section, the dry fire hydrant or new water
21 storage facility must meet the following minimum requirements:

22 1. Each body of water or water storage structure must be able
23 to provide two hundred fifty (250) gallons per minute for a
24

1 continuous two-hour period during a fifty-year drought or freeze at
2 a vertical lift of eighteen (18) feet;

3 2. Each dry fire hydrant must be located within twenty-five
4 (25) feet of an all-weather roadway and must be accessible to fire
5 protection equipment; and

6 3. Dry fire hydrants shall be located a reasonable distance
7 from other dry or pressurized hydrants.

8 C. In no event shall the amount of the credit exceed the amount
9 of any tax liability of the taxpayer.

10 D. Any credits allowed but not used in any tax year may be
11 carried over, in order, to each of the four (4) years following the
12 year of qualification.

13 E. The Oklahoma Tax Commission and the State Fire Marshal
14 Commission shall promulgate rules to establish the requirements for
15 the construction of a dry fire hydrant or new water storage facility
16 and permit verification of eligibility of a dry fire hydrant or new
17 water storage facility for the credit provided for in subsection A
18 of this section.

19 F. As used in this section, "dry fire hydrant" means
20 nonpressurized pipes permanently installed in lakes, farm ponds, and
21 streams that provide a ready means of drawing water.

22 SECTION 34. AMENDATORY Section 2, Chapter 442, O.S.L.
23 2005 (68 O.S. Supp. 2007, Section 2357.203), is amended to read as
24 follows:

1 Section 2357.203 A. As used in this section:

2 1. "Nonqualified operating expenditures" means labor costs,
3 salary and other compensation, whether direct or indirect, paid to
4 directors, officers, limited liability company members, limited
5 liability company managers, partners or other principals or
6 employees of the business entity;

7 2. "Qualified direct costs" means expenditures, other than
8 nonqualified operating expenditures, to construct dog kennels,
9 fences, pens, training areas for canines, structures for office
10 space or other improvements to real property necessary for the
11 proper training of a specially trained canine, including the cost of
12 food, water, veterinary expenses and other costs directly related to
13 the operation of the training facility; and

14 3. "Specially trained canines" means dogs that are raised by a
15 person who is officially licensed as a dog breeder by the United
16 States Department of Agriculture.

17 B. For taxable years beginning after December 31, 2005, and
18 ending before January 1, 2012, there shall be allowed a credit
19 against the tax imposed pursuant to Section 2355 of ~~Title 68 of the~~
20 ~~Oklahoma Statutes~~ this title in the amount of fifty percent (50%) of
21 the qualified direct costs associated with the operation of a
22 business enterprise the principal purpose of which is the rearing of
23 specially trained canines.

1 C. The provisions of this section shall not be applicable to
2 nonqualified operating expenditures.

3 D. The credit authorized by this section shall not be used to
4 reduce the tax liability of the taxpayer to less than zero (0). Any
5 credits authorized by this section claimed for a taxable year which
6 are unable to be used may be carried over, in order, to each of the
7 five (5) subsequent taxable years.

8 E. The Oklahoma Tax Commission shall be authorized to prescribe
9 such forms as may be necessary in order to administer the tax credit
10 authorized by this section. The Tax Commission may request such
11 additional documentation as may be required from the taxpayer in
12 order to verify the eligibility for the credit authorized by this
13 section.

14 SECTION 35. AMENDATORY 68 O.S. 2001, Section 2358, as
15 last amended by Section 3, Chapter 346, O.S.L. 2007 (68 O.S. Supp.
16 2007, Section 2358), is amended to read as follows:

17 Section 2358. For all tax years beginning after December 31,
18 1981, taxable income and adjusted gross income shall be adjusted to
19 arrive at Oklahoma taxable income and Oklahoma adjusted gross income
20 as required by this section.

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

24

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

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

10 3. ~~The~~ In any tax year ending before January 1, 2013, the
11 amount of any federal net operating loss deduction shall be adjusted
12 as follows:

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

22 b. For carryovers and carrybacks to taxable years
23 beginning after December 31, 1980, the amount of any
24 net operating loss deduction allowed for the taxable

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

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

21 a. Income from real and tangible personal property, such
22 as rents, oil and mining production or royalties, and
23 gains or losses from sales of such property, shall be
24

1 allocated in accordance with the situs of such
2 property;

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

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

22 (2) for taxable years beginning after December 31,
23 2003, capital or ordinary gains or losses from
24 the sale of an ownership interest in a publicly

1 traded partnership, as defined by Section 7704(b)
2 of the Internal Revenue Code of 1986, as amended,
3 shall be allocated to this state in the ratio of
4 the original cost of such partnership's tangible
5 property in this state to the original cost of
6 such partnership's tangible property everywhere,
7 as determined at the time of the sale; if more
8 than fifty percent (50%) of the value of the
9 partnership's assets consists of intangible
10 assets, capital or ordinary gains or losses from
11 the sale of an ownership interest in the
12 partnership shall be allocated to this state in
13 accordance with the sales factor of the
14 partnership for its first full tax period
15 immediately preceding its tax period during which
16 the ownership interest in the partnership was
17 sold; the provisions of this division shall only
18 apply if the capital or ordinary gains or losses
19 from the sale of an ownership interest in a
20 partnership do not constitute qualifying gain
21 receiving capital treatment as defined in
22 subparagraph a of paragraph 2 of subsection F of
23 this section,
24

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
24 warehouses is not covered by "in transit"

1 tariffs, as prescribed and allowed by the
2 Interstate Commerce Commission, to a purchaser
3 within or without the state,

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

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

19 (1) except as otherwise provided by division (2) of
20 this subparagraph, taxable income of an insurance
21 company for a taxable year shall be apportioned
22 to this state by multiplying such income by a
23 fraction, the numerator of which is the direct
24 premiums written for insurance on property or

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

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

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

19 5. The net income or loss remaining after the separate
20 allocation in paragraph 4 of this subsection, being that which is
21 derived from a unitary business enterprise, shall be apportioned to
22 this state on the basis of the arithmetical average of three factors
23 consisting of property, payroll and sales or gross revenue
24 enumerated as subparagraphs a, b and c of this paragraph. Net

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

21 a. The property factor is a fraction, the numerator of
22 which is the average value of the taxpayer's real and
23 tangible personal property owned or rented and used in
24 this state during the tax period and the denominator

1 of which is the average value of all the taxpayer's
2 real and tangible personal property everywhere owned
3 or rented and used during the tax period.

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

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

23 (3) The average value of property shall be determined
24 by averaging the values at the beginning and

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

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

15 (1) In the case of a transportation enterprise, the
16 numerator of the fraction shall include a portion
17 of such expenditure in connection with employees
18 operating equipment over a fixed route, such as
19 railroad employees, airline pilots, or bus
20 drivers, in this state only a part of the time,
21 in the proportion that mileage traveled in
22 Oklahoma bears to total mileage traveled by such
23 employees,
24

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

8 c. The sales factor is a fraction, the numerator of which
9 is the total sales or gross revenue of the taxpayer in
10 this state during the tax period, and the denominator
11 of which is the total sales or gross revenue of the
12 taxpayer everywhere during the tax period. "Sales",
13 as used in this subsection does not include sales or
14 gross revenue which are separately allocated in
15 paragraph 4 of this subsection.

16 (1) Sales of tangible personal property have a situs
17 in this state if the property is delivered or
18 shipped to a purchaser other than the United
19 States government, within this state regardless
20 of the FOB point or other conditions of the sale;
21 or the property is shipped from an office, store,
22 warehouse, factory or other place of storage in
23 this state and (a) the purchaser is the United
24 States government or (b) the taxpayer is not

1 doing business in the state of the destination of
2 the shipment.

3 (2) In the case of a railroad or interurban railway
4 enterprise, the numerator of the fraction shall
5 not be less than the allocation of revenues to
6 this state as shown in its annual report to the
7 Corporation Commission.

8 (3) In the case of an airline, truck or bus
9 enterprise or freight car, tank car, refrigerator
10 car or other railroad equipment enterprise, the
11 numerator of the fraction shall include a portion
12 of revenue from interstate transportation in the
13 proportion that interstate mileage traveled in
14 Oklahoma bears to total interstate mileage
15 traveled.

16 (4) In the case of an oil, gasoline or gas pipeline
17 enterprise, the numerator of the fraction shall
18 be either the total of traffic units of the
19 enterprise within Oklahoma or the revenue
20 allocated to Oklahoma based upon miles moved, at
21 the option of the taxpayer, and the denominator
22 of which shall be the total of traffic units of
23 the enterprise or the revenue of the enterprise
24 everywhere as appropriate to the numerator. A

1 "traffic unit" is hereby defined as the
2 transportation for a distance of one (1) mile of
3 one (1) barrel of oil, one (1) gallon of gasoline
4 or one thousand (1,000) cubic feet of natural or
5 casinghead gas, as the case may be.

6 (5) In the case of a telephone or telegraph or other
7 communication enterprise, the numerator of the
8 fraction shall include that portion of the
9 interstate revenue as is allocated pursuant to
10 the accounting procedures prescribed by the
11 Federal Communications Commission; provided that
12 in respect to each corporation or business entity
13 required by the Federal Communications Commission
14 to keep its books and records in accordance with
15 a uniform system of accounts prescribed by such
16 Commission, the intrastate net income shall be
17 determined separately in the manner provided by
18 such uniform system of accounts and only the
19 interstate income shall be subject to allocation
20 pursuant to the provisions of this subsection.
21 Provided further, that the gross revenue factors
22 shall be those as are determined pursuant to the
23 accounting procedures prescribed by the Federal
24 Communications Commission.

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

21 6. For calendar years 1997 and 1998, the owner of a new or
22 expanded agricultural commodity processing facility in this state
23 may exclude from Oklahoma taxable income, or in the case of an
24 individual, the Oklahoma adjusted gross income, fifteen percent

1 (15%) of the investment by the owner in the new or expanded
2 agricultural commodity processing facility. For calendar year 1999,
3 ~~and all subsequent years~~ through the calendar year ending on
4 December 31, 2014, the percentage, not to exceed fifteen percent
5 (15%), available to the owner of a new or expanded agricultural
6 commodity processing facility in this state claiming the exemption
7 shall be adjusted annually so that the total estimated reduction in
8 tax liability does not exceed One Million Dollars (\$1,000,000.00)
9 annually. The Tax Commission shall promulgate rules for determining
10 the percentage of the investment which each eligible taxpayer may
11 exclude. The exclusion provided by this paragraph shall be taken in
12 the taxable year when the investment is made. In the event the
13 total reduction in tax liability authorized by this paragraph
14 exceeds One Million Dollars (\$1,000,000.00) in any calendar year,
15 the Tax Commission shall permit any excess over One Million Dollars
16 (\$1,000,000.00) and shall factor such excess into the percentage for
17 subsequent years. Any amount of the exemption permitted to be
18 excluded pursuant to the provisions of this paragraph but not used
19 in any year may be carried forward as an exemption from income
20 pursuant to the provisions of this paragraph for a period not
21 exceeding six (6) years following the year in which the investment
22 was originally made. No exemption shall be allowed pursuant to this
23 paragraph on or after January 1, 2014.

24 For purposes of this paragraph:

1 a. "Agricultural commodity processing facility" means
2 building, structures, fixtures and improvements used
3 or operated primarily for the processing or production
4 of marketable products from agricultural commodities.
5 The term shall also mean a dairy operation that
6 requires a depreciable investment of at least Two
7 Hundred Fifty Thousand Dollars (\$250,000.00) and which
8 produces milk from dairy cows. The term does not
9 include a facility that provides only, and nothing
10 more than, storage, cleaning, drying or transportation
11 of agricultural commodities, and

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

14 (1) the processing of agricultural commodities,
15 including receiving or storing agricultural
16 commodities, or the production of milk at a dairy
17 operation,

18 (2) transporting the agricultural commodities or
19 product before, during or after the processing,
20 or

21 (3) packaging or otherwise preparing the product for
22 sale or shipment.

23 7. Despite any provision to the contrary in paragraph 3 of this
24 subsection, for taxable years beginning after December 31, 1999, and

1 ending before January 1, 2015, in the case of a taxpayer which has a
2 farming loss, such farming loss shall be considered a net operating
3 loss carryback in accordance with and to the extent of the Internal
4 Revenue Code, 26 U.S.C., Section 172(b)(G). However, the amount of
5 the net operating loss carryback shall not exceed the lesser of:

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

11 8. In taxable years beginning after December 31, 1995, and
12 ending before January 1, 2016, all qualified wages equal to the
13 federal income tax credit set forth in 26 U.S.C.A., Section 45A,
14 shall be deducted from taxable income. The deduction allowed
15 pursuant to this paragraph shall only be permitted for the tax years
16 in which the federal tax credit pursuant to 26 U.S.C.A., Section
17 45A, is allowed. For purposes of this paragraph, "qualified wages"
18 means those wages used to calculate the federal credit pursuant to
19 26 U.S.C.A., Section 45A.

20 9. In taxable years beginning after December 31, 2005, and
21 ending before January 1, 2017, an employer that is eligible for and
22 utilizes the Safety Pays OSHA Consultation Service provided by the
23 Oklahoma Department of Labor shall receive an exemption from taxable
24

1 income in the amount of One Thousand Dollars (\$1,000.00) for the tax
2 year that the service is utilized.

3 B. The taxable income of any corporation shall be further
4 adjusted to arrive at Oklahoma taxable income, except those
5 corporations electing treatment as provided in subchapter S of the
6 Internal Revenue Code, 26 U.S.C., Section 1361 et seq., and Section
7 2365 of this title, deductions pursuant to the provisions of the
8 Accelerated Cost Recovery System as defined and allowed in the
9 Economic Recovery Tax Act of 1981, Public Law 97-34, 26 U.S.C.,
10 Section 168, for depreciation of assets placed into service after
11 December 31, 1981, shall not be allowed in calculating Oklahoma
12 taxable income. ~~Such~~ Before January 1, 2018, such corporations
13 shall be allowed a deduction for depreciation of assets placed into
14 service after December 31, 1981, in accordance with provisions of
15 the Internal Revenue Code, 26 U.S.C., Section 1 et seq., in effect
16 immediately prior to the enactment of the Accelerated Cost Recovery
17 System. The Oklahoma tax basis for all such assets placed into
18 service after December 31, 1981, calculated in this section shall be
19 retained and utilized for all Oklahoma income tax purposes through
20 the final disposition of such assets.

21 Notwithstanding any other provisions of the Oklahoma Income Tax
22 Act, ~~Section 2351 et seq. of this title,~~ or of the Internal Revenue
23 Code to the contrary, this subsection shall control calculation of
24

1 depreciation of assets placed into service after December 31, 1981,
2 and before January 1, 1983.

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

11 C. 1. For taxable years beginning after December 31, 1987, and
12 ending before January 1, 2011, the taxable income of any corporation
13 shall be further adjusted to arrive at Oklahoma taxable income for
14 transfers of technology to qualified small businesses located in
15 Oklahoma. Such transferor corporation shall be allowed an exemption
16 from taxable income of an amount equal to the amount of royalty
17 payment received as a result of such transfer; provided, however,
18 such amount shall not exceed ten percent (10%) of the amount of
19 gross proceeds received by such transferor corporation as a result
20 of the technology transfer. Such exemption shall be allowed for a
21 period not to exceed ten (10) years from the date of receipt of the
22 first royalty payment accruing from such transfer. No exemption may
23 be claimed for transfers of technology to qualified small businesses
24 made prior to January 1, 1988.

1 2. For purposes of this subsection:

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

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

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

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

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

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

21 d. "Gross proceeds" means the total amount of
22 consideration for the transfer of technology, whether
23 the consideration is in money or otherwise.

24

1 D. 1. For taxable years beginning after December 31, 2005, and
2 ending before January 1, 2012, the taxable income of any
3 corporation, estate or trust, shall be further adjusted for
4 qualifying gains receiving capital treatment. Such corporations,
5 estates or trusts shall be allowed a deduction from Oklahoma taxable
6 income for the amount of qualifying gains receiving capital
7 treatment earned by the corporation, estate or trust during the
8 taxable year and included in the federal taxable income of such
9 corporation, estate or trust.

10 2. As used in this subsection:

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

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

23 (2) the sale of stock or on the sale of an ownership
24 interest in an Oklahoma company, limited

1 liability company, or partnership where such
2 stock or ownership interest has been directly or
3 indirectly owned by the corporation, estate or
4 trust for a holding period of at least three (3)
5 years prior to the date of the transaction from
6 which the net capital gains arise, or

7 (3) the sale of real property, tangible personal
8 property or intangible personal property located
9 within Oklahoma as part of the sale of all or
10 substantially all of the assets of an Oklahoma
11 company, limited liability company, or
12 partnership where such property has been directly
13 or indirectly owned by such entity owned by the
14 owners of such entity, and used in or derived
15 from such entity for a period of at least three
16 (3) years prior to the date of the transaction
17 from which the net capital gains arise,

18 b. "holding period" means an uninterrupted period of
19 time. The holding period shall include any additional
20 period when the property was held by another
21 individual or entity, if such additional period is
22 included in the taxpayer's holding period for the
23 asset pursuant to the Internal Revenue Code,
24

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

7 d. "direct" means the taxpayer directly owns the asset,
8 and

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

13 (1) With respect to sales of real property or
14 tangible personal property located within
15 Oklahoma, the deduction described in this
16 subsection shall not apply unless the pass-
17 through entity that makes the sale has held the
18 property for not less than five (5) uninterrupted
19 years prior to the date of the transaction that
20 created the capital gain, and each pass-through
21 entity included in the chain of ownership has
22 been a member, partner, or shareholder of the
23 pass-through entity in the tier immediately below
24

1 it for an uninterrupted period of not less than
2 five (5) years.

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

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

21 1. a. In the case of individuals, there shall be added or
22 deducted, as the case may be, the difference necessary
23 to allow personal exemptions of One Thousand Dollars
24

1 (\$1,000.00) in lieu of the personal exemptions allowed
2 by the Internal Revenue Code.

3 b. There shall be allowed an additional exemption of One
4 Thousand Dollars (\$1,000.00) for each taxpayer or
5 spouse who is blind at the close of the tax year. For
6 purposes of this subparagraph, an individual is blind
7 only if the central visual acuity of the individual
8 does not exceed 20/200 in the better eye with
9 correcting lenses, or if the visual acuity of the
10 individual is greater than 20/200, but is accompanied
11 by a limitation in the fields of vision such that the
12 widest diameter of the visual field subtends an angle
13 no greater than twenty (20) degrees.

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

22 (1) Twenty-five Thousand Dollars (\$25,000.00) if
23 married and filing jointly;
24

- 1 (2) Twelve Thousand Five Hundred Dollars (\$12,500.00)
2 if married and filing separately;
3 (3) Fifteen Thousand Dollars (\$15,000.00) if single;
4 and
5 (4) Nineteen Thousand Dollars (\$19,000.00) if a
6 qualifying head of household.

7 Provided, for taxable years beginning after December
8 31, 1999, amounts included in the calculation of
9 federal adjusted gross income pursuant to the
10 conversion of a traditional individual retirement
11 account to a Roth individual retirement account shall
12 be excluded from federal adjusted gross income for
13 purposes of the income thresholds provided in this
14 subparagraph.

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

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

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

6 c. For the taxable year beginning on January 1, 2007, and
7 ending December 31, 2007, 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) Five Thousand Five Hundred Dollars (\$5,500.00),
14 if the filing status is married filing joint or
15 qualifying widow; or

16 (2) Four Thousand One Hundred Twenty-five Dollars
17 (\$4,125.00) for a head of household; or

18 (3) Two Thousand Seven Hundred Fifty Dollars
19 (\$2,750.00), if the filing status is single or
20 married filing separate.

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

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

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

7 (2) Four Thousand Eight Hundred Seventy-five Dollars
8 (\$4,875.00) for a head of household, or

9 (3) Three Thousand Two Hundred Fifty Dollars
10 (\$3,250.00), if the filing status is single or
11 married filing separate.

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

19 (1) Eight Thousand Five Hundred Dollars (\$8,500.00),
20 if the filing status is married filing joint or
21 qualifying widow, or

22 (2) Six Thousand Three Hundred Seventy-five Dollars
23 (\$6,375.00) for a head of household, or
24

1 (3) Four Thousand Two Hundred Fifty Dollars
2 (\$4,250.00), if the filing status is single or
3 married filing separate.

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

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

1 deductions and personal exemptions shall be subject to proration as
2 provided by law.

3 4. A resident individual with a physical disability
4 constituting a substantial handicap to employment may deduct from
5 Oklahoma adjusted gross income such expenditures to modify a motor
6 vehicle, home or workplace as are necessary to compensate for his or
7 her handicap. A veteran certified by the Veterans Administration of
8 the federal government as having a service-connected disability
9 shall be conclusively presumed to be an individual with a physical
10 disability constituting a substantial handicap to employment. The
11 Tax Commission shall promulgate rules containing a list of
12 combinations of common disabilities and modifications which may be
13 presumed to qualify for this deduction. The Tax Commission shall
14 prescribe necessary requirements for verification.

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

23 a. absence from the United States, which term includes
24 only the states and the District of Columbia;

1 b. absence from the State of Oklahoma while on active
2 duty; or

3 c. confinement in a hospital within the United States for
4 treatment of wounds, injuries or disease,

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

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

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

20 Provided, that the Tax Commission may, in its discretion, grant any
21 member of the Armed Forces of the United States an extension of time
22 for filing of income tax returns and payment of income tax without
23 incurring liabilities for interest or penalties. Such extension may
24 be granted only when in the judgment of the Tax Commission a good

1 cause exists therefor and may be for a period in excess of six (6)
2 months. A record of every such extension granted, and the reason
3 therefor, shall be kept.

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

9 7. Notwithstanding anything in the Internal Revenue Code or in
10 the Oklahoma Income Tax Act to the contrary, it is expressly
11 provided that, in the case of resident individuals, amounts received
12 as dividends or distributions of earnings from savings and loan
13 associations or credit unions located in Oklahoma, and interest
14 received on savings accounts and time deposits from such sources or
15 from state and national banks or trust companies located in
16 Oklahoma, shall qualify as dividends for the purpose of the dividend
17 exclusion, and taxable income for tax years ending before January 1,
18 2013, shall be adjusted accordingly to arrive at Oklahoma taxable
19 income; provided, however, that the dividend, distribution of
20 earnings and/or interest exclusion provided for hereinabove shall
21 not be cumulative to the maximum dividend exclusion allowed by the
22 Internal Revenue Code. Any dividend exclusion already allowed by
23 the Internal Revenue Code and reflected in the taxpayer's Oklahoma
24 taxable income together with exclusion allowed herein shall not

1 exceed the total of One Hundred Dollars (\$100.00) per individual or
2 Two Hundred Dollars (\$200.00) 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
24 refund of the credit received during the tax year

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

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

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

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

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

20 12. In taxable years beginning after December 31, 1995, and
21 ending before January 1, 2014, contributions made to and interest
22 received from a medical savings account established pursuant to
23 ~~Sections 2621 through 2623 of Title 63 of the Oklahoma Statutes~~ the
24 Medical Savings Account Act shall be exempt from taxable income.

1 13. For taxable years beginning after December 31, 1996, and
2 ending before January 1, 2015, the Oklahoma adjusted gross income of
3 any individual taxpayer who is a swine or poultry producer may be
4 further adjusted for the deduction for depreciation allowed for new
5 construction or expansion costs which may be computed using the same
6 depreciation method elected for federal income tax purposes except
7 that the useful life shall be seven (7) years for purposes of this
8 paragraph. If depreciation is allowed as a deduction in determining
9 the adjusted gross income of an individual, any depreciation
10 calculated and claimed pursuant to this section shall in no event be
11 a duplication of any depreciation allowed or permitted on the
12 federal income tax return of the individual.

13 14. a. In taxable years beginning after December 31, 2002,
14 and ending before January 1, 2016, nonrecurring
15 adoption expenses paid by a resident individual
16 taxpayer in connection with:

- 17 (1) the adoption of a minor, or
18 (2) a proposed adoption of a minor which did not
19 result in a decreed adoption,
20 may be deducted from the Oklahoma adjusted gross
21 income.

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

1 c. The Tax Commission shall promulgate rules to implement
2 the provisions of this paragraph which shall contain a
3 specific list of nonrecurring adoption expenses which
4 may be presumed to qualify for the deduction. The Tax
5 Commission shall prescribe necessary requirements for
6 verification.

7 d. "Nonrecurring adoption expenses" means adoption fees,
8 court costs, medical expenses, attorney fees and
9 expenses which are directly related to the legal
10 process of adoption of a child including, but not
11 limited to, costs relating to the adoption study,
12 health and psychological examinations, transportation
13 and reasonable costs of lodging and food for the child
14 or adoptive parents which are incurred to complete the
15 adoption process and are not reimbursed by other
16 sources. The term "nonrecurring adoption expenses"
17 shall not include attorney fees incurred for the
18 purpose of litigating a contested adoption, from and
19 after the point of the initiation of the contest,
20 costs associated with physical remodeling, renovation
21 and alteration of the adoptive parents' home or
22 property, except for a special needs child as
23 authorized by the court.
24

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

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

19 (1) in taxable years beginning after December 31,
20 2004, and prior to January 1, 2007, the
21 qualifying amount shall be Thirty-seven Thousand
22 Five Hundred Dollars (\$37,500.00) or less if the
23 filing status is single, head of household, or
24 married filing separate, or Seventy-Five Thousand

- 1 Dollars (\$75,000.00) or less if the filing status
2 is married filing jointly or qualifying widow,
3 (2) in the taxable year beginning January 1, 2007,
4 the qualifying amount shall be Fifty Thousand
5 Dollars (\$50,000.00) or less if the filing status
6 is single, head of household, or married filing
7 separate, or One Hundred Thousand Dollars
8 (\$100,000.00) or less if the filing status is
9 married filing jointly or qualifying widow,
10 (3) in the taxable year beginning January 1, 2008,
11 the qualifying amount shall be Sixty-two Thousand
12 Five Hundred Dollars (\$62,500.00) or less if the
13 filing status is single, head of household, or
14 married filing separate, or One Hundred Twenty-
15 five Thousand Dollars (\$125,000.00) or less if
16 the filing status is married filing jointly or
17 qualifying widow,
18 (4) in the taxable year beginning January 1, 2009,
19 the qualifying amount shall be One Hundred
20 Thousand Dollars (\$100,000.00) or less if the
21 filing status is single, head of household, or
22 married filing separate, or Two Hundred Thousand
23 Dollars (\$200,000.00) or less if the filing
24

1 status is married filing jointly or qualifying
2 widow, and

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

6 c. For purposes of this paragraph, "retirement benefits"
7 means the total distributions or withdrawals from the
8 following:

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

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

15 (3) an individual retirement account, annuity or
16 trust or simplified employee pension that
17 satisfies the requirements of Section 408 of the
18 Internal Revenue Code, 26 U.S.C., Section 408,

19 (4) an employee annuity subject to the provisions of
20 Section 403(a) or (b) of the Internal Revenue
21 Code, 26 U.S.C., Section 403(a) or (b),

22 (5) United States Retirement Bonds which satisfy the
23 requirements of Section 86 of the Internal
24 Revenue Code, 26 U.S.C., Section 86, or

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

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

20 16. In taxable years beginning after December 31, 1999, and
21 ending before January 1, 2017, for an individual engaged in
22 production agriculture who has filed a Schedule F form with the
23 taxpayer's federal income tax return for such taxable year, there
24 shall be excluded from taxable income any amount which was included

1 as federal taxable income or federal adjusted gross income and which
2 consists of the discharge of an obligation by a creditor of the
3 taxpayer incurred to finance the production of agricultural
4 products.

5 17. In taxable years beginning December 31, 2000, and ending
6 before January 1, 2018, an amount equal to one hundred percent
7 (100%) of the amount of any scholarship or stipend received from
8 participation in the Oklahoma Police Corps Program, as established
9 in Section 2-140.3 of Title 47 of the Oklahoma Statutes shall be
10 exempt from taxable income.

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

20 b. In taxable years beginning after December 31, 2004,
21 and ending January 1, 2011, each taxpayer shall be
22 allowed a deduction for contributions to accounts
23 established pursuant to the Oklahoma College Savings
24 Plan Act. The maximum annual deduction shall equal

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

20 c. In taxable years beginning after December 31, 2006,
21 deductions for contributions made pursuant to
22 subparagraph b of this paragraph shall be limited as
23 follows:
24

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

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

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

23 e. If a taxpayer makes a non-qualified withdrawal of
24 contributions for which a deduction was taken pursuant

1 to subparagraph b of this paragraph, such non-
2 qualified withdrawal and any earnings thereon shall be
3 included in the adjusted gross income of the taxpayer
4 in the taxable year of the non-qualified withdrawal.

5 f. As used in this paragraph:

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

9 (a) a qualified withdrawal,

10 (b) a withdrawal made as a result of the death
11 or disability of the designated beneficiary
12 of an account,

13 (c) a withdrawal that is made on the account of
14 a scholarship or the allowance or payment
15 described in Section 135(d)(1)(B) or (C) or
16 by the Internal Revenue Code, received by
17 the designated beneficiary to the extent the
18 amount of the refund does not exceed the
19 amount of the scholarship, allowance, or
20 payment, or

21 (d) a rollover or change of designated
22 beneficiary as permitted by subsection F of
23 Section 3970.7 of Title 70 of Oklahoma
24 Statutes, and

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

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

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

- 18 a. in the taxable year beginning January 1, 2007, twenty
19 percent (20%) of such benefits shall be exempt,
20 b. in the taxable year beginning January 1, 2008, forty
21 percent (40%) of such benefits shall be exempt,
22 c. in the taxable year beginning January 1, 2009, sixty
23 percent (60%) of such benefits shall be exempt,
24

- 1 d. in the taxable year beginning January 1, 2010, eighty
2 percent (80%) of such benefits shall be exempt, and
3 e. in the taxable year beginning January 1, 2011, and
4 subsequent taxable years, one hundred percent (100%)
5 of such benefits shall be exempt.

6 F. 1. For taxable years beginning after December 31, 2004, and
7 ending before January 1, 2012, a deduction from the Oklahoma
8 adjusted gross income of any individual taxpayer shall be allowed
9 for qualifying gains receiving capital treatment that are included
10 in the federal adjusted gross income of such individual taxpayer
11 during the taxable year.

12 2. As used in this subsection:

13 a. "qualifying gains receiving capital treatment" means
14 the amount of net capital gains, as defined in Section
15 1222(11) of the Internal Revenue Code, included in an
16 individual taxpayer's federal income tax return that
17 result from:

- 18 (1) the sale of real property or tangible personal
19 property located within Oklahoma that has been
20 directly or indirectly owned by the individual
21 taxpayer for a holding period of at least five
22 (5) years prior to the date of the transaction
23 from which such net capital gains arise,

1 (2) the sale of stock or the sale of a direct or
2 indirect ownership interest in an Oklahoma
3 company, limited liability company, or
4 partnership where such stock or ownership
5 interest has been directly or indirectly owned by
6 the individual taxpayer for a holding period of
7 at least two (2) years prior to the date of the
8 transaction from which the net capital gains
9 arise, or

10 (3) the sale of real property, tangible personal
11 property or intangible personal property located
12 within Oklahoma as part of the sale of all or
13 substantially all of the assets of an Oklahoma
14 company, limited liability company, or
15 partnership or an Oklahoma proprietorship
16 business enterprise where such property has been
17 directly or indirectly owned by such entity or
18 business enterprise or owned by the owners of
19 such entity or business enterprise for a period
20 of at least two (2) years prior to the date of
21 the transaction from which the net capital gains
22 arise,

23 b. "holding period" means an uninterrupted period of
24 time. The holding period shall include any additional

1 period when the property was held by another
2 individual or entity, if such additional period is
3 included in the taxpayer's holding period for the
4 asset pursuant to the Internal Revenue Code,

5 c. "Oklahoma company," "limited liability company," or
6 "partnership" means an entity whose primary
7 headquarters have been located in Oklahoma for at
8 least three (3) uninterrupted years prior to the date
9 of the transaction from which the net capital gains
10 arise,

11 d. "direct" means the individual taxpayer directly owns
12 the asset,

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

17 (1) With respect to sales of real property or
18 tangible personal property located within
19 Oklahoma, the deduction described in this
20 subsection shall not apply unless the pass-
21 through entity that makes the sale has held the
22 property for not less than five (5) uninterrupted
23 years prior to the date of the transaction that
24 created the capital gain, and each pass-through

1 entity included in the chain of ownership has
2 been a member, partner, or shareholder of the
3 pass-through entity in the tier immediately below
4 it for an uninterrupted period of not less than
5 five (5) years.

6 (2) With respect to sales of stock or ownership
7 interest in or sales of all or substantially all
8 of the assets of an Oklahoma company, limited
9 liability company, partnership or Oklahoma
10 proprietorship business enterprise, the deduction
11 described in this subsection shall not apply
12 unless the pass-through entity that makes the
13 sale has held the stock or ownership interest for
14 not less than two (2) uninterrupted years prior
15 to the date of the transaction that created the
16 capital gain, and each pass-through entity
17 included in the chain of ownership has been a
18 member, partner or shareholder of the pass-
19 through entity in the tier immediately below it
20 for an uninterrupted period of not less than two
21 (2) years. For purposes of this division,
22 uninterrupted ownership prior to the effective
23 date of this act shall be included in the
24

1 determination of the required holding period
2 prescribed by this division, and

3 f. "Oklahoma proprietorship business enterprise" means a
4 business enterprise whose income and expenses have
5 been reported on Schedule C or F of an individual
6 taxpayer's federal income tax return, or any similar
7 successor schedule published by the Internal Revenue
8 Service and whose primary headquarters have been
9 located in Oklahoma for at least three (3)
10 uninterrupted years prior to the date of the
11 transaction from which the net capital gains arise.

12 SECTION 36. AMENDATORY 68 O.S. 2001, Section 2358.3, is
13 amended to read as follows:

14 Section 2358.3 ~~A~~ Before January 1, 2013, a person who
15 contributes money to a political party or to a candidate or
16 candidate committee shall be entitled to deduct the amount
17 contributed, not to exceed One Hundred Dollars (\$100.00) in any one
18 tax year, from the person's adjusted gross income in the computation
19 of Oklahoma income tax.

20 SECTION 37. AMENDATORY 68 O.S. 2001, Section 2358.4, is
21 amended to read as follows:

22 Section 2358.4 A. For taxable years beginning after December
23 31, 2000, and ending before January 1, 2014, at the election of an
24 individual engaged in a farming business, the tax imposed by Section

1 2355 of ~~Title 68 of the Oklahoma Statutes~~ this title for such
2 taxable year shall be equal to the sum of:

3 1. A tax computed under such section on taxable income reduced
4 by elected farm income; and

5 2. The increase in tax imposed by Section 2355 of ~~Title 68 of~~
6 ~~the Oklahoma Statutes~~ this title which would result if taxable
7 income for each of the three (3) prior taxable years were increased
8 by an amount equal to one-third (1/3) of the elected farm income.

9 Any adjustment under this section for any taxable year shall be
10 taken into account in applying this section for any subsequent
11 taxable year.

12 B. As used in this section:

13 1. "Elected farm income" means so much of the taxable income
14 for the taxable year which is attributable to any farming business,
15 and which is specified in the election under subsection A of this
16 section. For purposes of this paragraph, a gain from the sale or
17 other disposition of property, other than land, regularly used by
18 the taxpayer in such a farming business for a substantial period
19 shall be treated as attributable to such a farming business;

20 2. "Individual" shall not mean or include any estate or trust;
21 and

22 3. "Farming business" shall have the same meaning as the term
23 is defined in the Internal Revenue Code, 26 U.S.C., Section
24 263A(e) (4) .

1 C. The Oklahoma Tax Commission shall promulgate any necessary
2 rules to implement the provisions of this section.

3 SECTION 38. AMENDATORY Section 3, Chapter 515, O.S.L.
4 2004 (68 O.S. Supp. 2007, Section 2358.7), is amended to read as
5 follows:

6 Section 2358.7 A. For taxable years beginning after December
7 31, 2004, and ending before January 1, 2015, there shall be allowed
8 as a credit against the tax imposed pursuant to Section 2355 of
9 ~~Title 68 of the Oklahoma Statutes~~ this title in an amount equal to:

10 1. Two Hundred Dollars (\$200.00) each year for which a
11 volunteer firefighter provides proof of certification as required by
12 subsection B of this section; and

13 2. Four Hundred Dollars (\$400.00) each year following the
14 taxable years for which a taxpayer is eligible for the credit
15 provided by paragraph 1 of this subsection for a volunteer
16 firefighter providing proof of certification as required by
17 subsection D of this section.

18 B. In order to claim the tax credit authorized by paragraph 1
19 of subsection A of this section, a volunteer firefighter shall be
20 required to provide adequate documentation to the Oklahoma Tax
21 Commission of at least twelve (12) credited hours toward the
22 Volunteer Firefighter Practices program offered by Oklahoma State
23 University Fire Service Training prior to or during the first
24

1 taxable year for which a tax credit is claimed pursuant to paragraph
2 1 of subsection A of this section.

3 C. For each year subsequent to the first year for which a
4 volunteer firefighter may claim the tax credit authorized by
5 paragraph 1 of subsection A of this section, in order to claim any
6 further tax credits pursuant to paragraph 1 of subsection A of this
7 section, the volunteer firefighter shall be required to provide
8 documentation that the firefighter has completed an additional six
9 (6) hours of Fire Service Training Volunteer Firefighter Practices
10 program until such program or its equivalent is completed. For
11 purposes of this subsection, equivalency shall be determined by
12 Oklahoma State University Fire Service Training. For purposes of
13 this subsection, Firefighter I, Firefighter II or Firefighter III
14 certifications or their equivalents may be provided in lieu of the
15 Volunteer Firefighter Practices certification.

16 D. After having completed at least thirty (30) hours of
17 instruction and having completed the Volunteer Firefighter Practices
18 program, in order to be eligible for the tax credit authorized by
19 paragraph 2 of subsection A of this section, the volunteer
20 firefighter shall:

21 1. Attend and receive certification for annual chemical,
22 biological, radiological and nuclear (CBRN) response training and
23 weapons of mass destruction (WMD) training of at least one (1) hour
24 per subject, respectively;

1 2. Complete at least six (6) hours of continuing education each
2 year until the volunteer firefighter completes a certification as
3 Firefighter I or its equivalent. For purposes of this paragraph,
4 equivalency shall be determined by Oklahoma State University Fire
5 Service Training;

6 3. Provide documentation from the fire chief of the applicable
7 department that the firefighter has been provided and participated
8 in all annual training as required by federal and state authorities
9 including, but not limited to, annual fit testing for breathing
10 apparatus, "right-to-know" laws, Homeland Defense, CBRN, WMD or
11 other applicable requirements; and

12 4. Provide documentation from the fire chief of the applicable
13 department that the volunteer firefighter has met the requirements
14 under the fire department's constitution and bylaws and is a member
15 in good standing of the department together with a record of the
16 total number of years of service in good standing with such
17 department.

18 E. In order to assist the Oklahoma Tax Commission with the
19 administration of the tax credits authorized by this section, the
20 Oklahoma State University Fire Service Training program shall
21 provide to all fire departments a uniform document that indicates
22 the annual training hours and continuing education training hours
23 completed by each volunteer firefighter through the Fire Service
24 Training program.

1 F. The Office of the State Fire Marshal shall prescribe a
2 reporting form for use by volunteer fire departments and by
3 volunteer firefighters in order to provide the certifications
4 required by this section.

5 G. The Oklahoma Tax Commission may require copies of such
6 documentation provided by Oklahoma State University Fire Service
7 Training program or the Office of the State Fire Marshal regarding
8 training history to verify eligibility for the tax credits provided
9 by this section.

10 SECTION 39. AMENDATORY 70 O.S. 2001, Section 6014, is
11 amended to read as follows:

12 Section 6014. A. ~~The~~ Before January 1, 2016, the property of
13 the Trust and its income and operation shall be exempt from all
14 taxation by this state or any of its political subdivisions. On or
15 after January 1, 2013, the income of the Trust shall be subject to
16 taxation by this state and any of its political subdivisions.

17 B. ~~The~~ Before January 1, 2016, the purchaser may deduct from
18 taxable income the amount of payment made under an advance tuition
19 payment contract during the tax year.

20 C. An advance tuition payment contract is not a security
21 subject to regulation by the state. An advance tuition contract may
22 not be sold or otherwise transferred by the purchaser or qualified
23 beneficiary without the prior approval of the Regents.

24

1 SECTION 40. AMENDATORY 74 O.S. 2001, Section 2106, is
2 amended to read as follows:

3 Section 2106. A. ~~An~~ Before January 1, 2017, an export trading
4 company, with a registered office or other office in this state,
5 shall be exempt from state corporate income tax and franchise tax
6 for a period of two (2) years from the date the Commission certifies
7 the export trading company as a qualified export trading company. A
8 copy of such certificate shall be filed with the Oklahoma Tax
9 Commission which shall verify compliance with this act prior to
10 allowing the tax exemption provided for herein. For purposes of the
11 Export Trading Company Act, an export trading company shall be
12 deemed to have an office in Oklahoma if it performs export trade
13 services in this state.

14 B. Export trading companies shall not qualify for the tax
15 exemptions of this section for sales made within the United States.

16 C. A subsidiary or affiliate of a qualified export trading
17 company shall not be entitled to the tax exemptions provided for in
18 this section unless such subsidiary or affiliate is certified as a
19 qualified export trading company pursuant to Section 2107 of this
20 title.

21 SECTION 41. AMENDATORY 74 O.S. 2001, Section 5064.7, is
22 amended to read as follows:

23 Section 5064.7 A. The following incentives shall be available
24 to inventors for products developed and manufactured in this state

1 and to instate manufacturers of said products; provided, to qualify
2 for the incentives, the product shall be patented or have patent
3 pending pursuant to federal law and shall be registered with the
4 Oklahoma Center for the Advancement of Science and Technology
5 (OCAST):

6 1. Royalty Before January 1, 2018, royalty earned by an
7 inventor from a product developed and manufactured in this state
8 shall be exempt from state income tax for a period of seven (7)
9 years, or the time period eligible subject to the limitations of
10 this subsection, from January 1 of the first year in which such
11 royalty is received as long as the manufacturer remains in the
12 state; and

13 2. An instate manufacturer of a product developed in this state
14 by an inventor shall be eligible for a tax credit, as provided for
15 in Section 2357.4 of Title 68 of the Oklahoma Statutes. In
16 addition, before January 1, 2018, such manufacturer may exclude from
17 Oklahoma taxable income, or in the case of an individual, the
18 Oklahoma adjusted gross income, sixty-five percent (65%) of the cost
19 of depreciable property purchased and utilized directly in
20 manufacturing the product. The maximum exclusion shall not exceed
21 Five Hundred Thousand Dollars (\$500,000.00). If the exclusion
22 allowed by this paragraph exceeds the Oklahoma taxable income, or in
23 the case of an individual, the Oklahoma adjusted gross income, the
24 amount of the exclusion that is in excess of such income may be

1 carried forward as an exclusion against subsequent Oklahoma taxable
2 income or in the case of an individual, subsequent Oklahoma adjusted
3 gross income, for a period not to exceed four (4) years. For the
4 purposes of this paragraph, "depreciable property" means machinery,
5 fixtures, equipment, buildings, or substantial improvements thereto,
6 placed in service in this state during the taxable year.

7 B. The Oklahoma Tax Commission, in conjunction with the
8 Oklahoma Center for the Advancement of Science and Technology, shall
9 promulgate rules to implement the provisions of this section.

10 SECTION 42. AMENDATORY 74 O.S. 2001, Section 5075, is
11 amended to read as follows:

12 Section 5075. A. ~~Income~~ Before January 1, 2011, income earned
13 by a sponsor from rental fees, service fees or any other form of
14 payment for services provided to a tenant as an operator of an
15 incubator, or for providing funding for such a facility, shall be
16 exempt from state income tax for a period not to exceed ten (10)
17 years from the date of the tenant's occupancy in an incubator or for
18 the time period eligible subject to the limitations of this
19 subsection.

20 B. The Oklahoma Tax Commission shall promulgate rules and
21 regulations to implement the provisions of this section.

22 SECTION 43. AMENDATORY 74 O.S. 2001, Section 5078, as
23 amended by Section 11, Chapter 486, O.S.L. 2003 (74 O.S. Supp. 2007,
24 Section 5078), is amended to read as follows:

1 Section 5078. A. ~~For~~ Before January 1, 2012, for a period of
2 up to ten (10) years from the date of tenant's occupancy in an
3 incubator, or for the time period eligible subject to the
4 limitations of this subsection, income earned by the tenant as a
5 result of activities conducted as an occupant in an incubator,
6 including income distributed to partners, shareholders of a
7 corporation for which a Subchapter S election is in effect and to
8 the members of a limited liability company, shall be exempt from
9 state income tax. The exemption provided by this section shall
10 remain in effect for such activities by such tenant after the date
11 the tenant is no longer an occupant in an incubator, but not to
12 exceed a total duration of ten (10) years for any tenant, or for the
13 time period eligible subject to the limitations of this subsection.

14 B. In order to qualify for the income tax exemption for the
15 sixth through tenth year as authorized by this section, the tenant
16 must make at least seventy-five percent (75%) of its gross sales
17 constituting the principal business activity of the business to
18 buyers located outside the state or to buyers whose principal
19 business activity is conducted outside the state or to the federal
20 government or to buyers located within the state if the product or
21 service is resold to an out-of-state customer or buyer for ultimate
22 use. Provided, if a tenant does not achieve the qualifying
23 percentage for any one of the above tax years, the tenant shall not

24

1 be disqualified for subsequent tax years in which the qualifying
2 percentage is achieved.

3 The Oklahoma Tax Commission shall promulgate rules to implement
4 the provisions of this section.

5 SECTION 44. AMENDATORY 68 O.S. 2001, Section 1354, as
6 last amended by Section 5, Chapter 155, O.S.L. 2007 (68 O.S. Supp.
7 2007, Section 1354), is amended to read as follows:

8 Section 1354. A. There is hereby levied upon all sales, not
9 otherwise exempted in the Oklahoma Sales Tax Code, an excise tax of
10 four and one-half percent (4.5%) of the gross receipts or gross
11 proceeds of each sale of the following:

12 1. Tangible personal property, except newspapers and
13 periodicals sold before January 1, 2011;

14 2. Natural or artificial gas, electricity, ice, steam, or any
15 other utility or public service, except water, sewage and refuse
16 sold before January 1, 2012. Provided, the rate of four and one-
17 half percent (4.5%) shall not apply to sales subject to the
18 provisions of paragraph 6 of Section 1357 of this title;

19 3. Transportation for hire to persons by common carriers,
20 including railroads both steam and electric, motor transportation
21 companies, pullman car companies, airlines, and other means of
22 transportation for hire, excluding sales before January 1, 2013 of:

23 a. transportation services provided by a tourism service
24 broker which are incidental to the rendition of

1 tourism brokerage services by such broker to a
2 customer regardless of whether or not such
3 transportation services are actually owned and
4 operated by the tourism service broker. For purposes
5 of this subsection, "tourism service broker" means any
6 person, firm, association or corporation or any
7 employee of such person, firm, association or
8 corporation which, for a fee, commission or other
9 valuable consideration, arranges or offers to arrange
10 trips, tours or other vacation or recreational travel
11 plans for a customer, and

12 b. transportation services provided by a funeral
13 establishment to family members and other persons for
14 purposes of conducting a funeral in this state;

15 4. Intrastate, interstate and international telecommunications
16 services sourced to this state in accordance with Section 1354.30 of
17 this title and ancillary services. Provided:

18 a. the term "telecommunications services" shall mean the
19 electronic transmission, conveyance, or routing of
20 voice, data, audio, video, or any other information or
21 signals to a point, or between or among points. The
22 term "telecommunications services" includes such
23 transmission, conveyance, or routing in which computer
24 processing applications are used to act on the form,

1 code or protocol of the content for purposes of
2 transmission, conveyance or routing without regard to
3 whether such service is referred to as voice-over
4 Internet protocol services or is classified by the
5 Federal Communications Commission as enhanced or value
6 added. "Telecommunications services" do not include:

- 7 (1) data processing and information services that
8 allow data to be generated, acquired, stored,
9 processed, or retrieved and delivered by an
10 electronic transmission to a purchaser where such
11 purchaser's primary purpose for the underlying
12 transaction is the processed data or information,
13 (2) installation or maintenance of wiring or
14 equipment on a customer's premises,
15 (3) tangible personal property,
16 (4) advertising, including but not limited to
17 directory advertising,
18 (5) billing and collection services provided to third
19 parties,
20 (6) Internet access services,
21 (7) radio and television audio and video programming
22 services, regardless of the medium, including the
23 furnishing of transmission, conveyance and
24 routing of such services by the programming

1 service provider. Radio and television audio and
2 video programming services shall include, but not
3 be limited to, cable service as defined in 47
4 U.S.C. 522(6) and audio and video programming
5 services delivered by commercial mobile radio
6 service providers, as defined in 47 C.F.R. 20.3;

7 (8) ancillary services, or

8 (9) digital products delivered electronically,

9 including but not limited to, software, music,
10 video, reading materials or ring tones,

11 b. the term "interstate" means a "telecommunications
12 service" that originates in one United States state,
13 or a United States territory or possession, and
14 terminates in a different United States state or a
15 United States territory or possession,

16 c. the term "intrastate" means a telecommunications
17 service that originates in one United States state or
18 a United States territory or possession, and
19 terminates in the same United States state or a United
20 States territory or possession,

21 d. the term "ancillary services" means services that are
22 associated with or incidental to the provision of
23 telecommunications services, including but not limited
24 to "detailed telecommunications billing", "directory

1 assistance", "vertical service", and "voice mail
2 services".

3 e. in the case of a bundled transaction that includes
4 telecommunication service, ancillary service, internet
5 access or audio or video programming service:

6 (1) if the price is attributable to products that are
7 taxable and products that are nontaxable, the
8 portion of the price attributable to the
9 nontaxable products may be subject to tax unless
10 the provider can identify by reasonable and
11 verifiable standards such portion for its books
12 and records kept in the regular course of
13 business for other purposes, including, but not
14 limited to, nontax purposes, and

15 (2) the provisions of this paragraph shall apply
16 unless otherwise provided by federal law,

17 f. a sale of prepaid calling service or prepaid wireless
18 calling service shall be taxable at the time of sale
19 to the customer;

20 5. Telecommunications nonrecurring charges, which means an
21 amount billed for the installation, connection, change or initiation
22 of telecommunications services received by a customer;

23 6. Printing or printed matter of all types, kinds, or character
24 and, except for services sold before January 1, 2014, of printing,

1 copying or photocopying performed by a privately owned scientific
2 and educational library sustained by monthly or annual dues paid by
3 members sharing the use of such services with students interested in
4 the study of geology, petroleum engineering or related subjects, any
5 service of printing or overprinting, including the copying of
6 information by mimeograph, multigraph, or by otherwise duplicating
7 written or printed matter in any manner, or the production of
8 microfiche containing information from magnetic tapes or other media
9 furnished by customers;

10 7. Service of furnishing rooms by hotel, apartment hotel,
11 public rooming house, motel, public lodging house, or tourist camp;

12 8. Service of furnishing storage or parking privileges by auto
13 hotels or parking lots;

14 9. Computer hardware, software, coding sheets, cards, magnetic
15 tapes or other media on which prewritten programs have been coded,
16 punched, or otherwise recorded, including the gross receipts from
17 the licensing of software programs;

18 10. Foods, confections, and all drinks sold or dispensed by
19 hotels, restaurants, or other dispensers, and sold for immediate
20 consumption upon the premises or delivered or carried away from the
21 premises for consumption elsewhere;

22 11. Advertising of all kinds, types, and characters, including
23 any and all devices used for advertising purposes except those
24

1 specifically exempt pursuant to the provisions of Section 1357 of
2 this title;

3 12. Dues or fees to clubs including free or complimentary dues
4 or fees which have a value equivalent to the charge that would have
5 otherwise been made, including any fees paid for the use of
6 facilities or services rendered at a health spa or club or any
7 similar facility or business;

8 13. Tickets for admission to or voluntary contributions made to
9 places of amusement, sports, entertainment, exhibition, display, or
10 other recreational events or activities, including free or
11 complimentary admissions which have a value equivalent to the charge
12 that would have otherwise been made;

13 14. Charges made for the privilege of entering or engaging in
14 any kind of activity, such as tennis, racquetball, or handball, when
15 spectators are charged no admission fee;

16 15. Charges made for the privilege of using items for
17 amusement, sports, entertainment, or recreational activity, such as
18 trampolines or golf carts;

19 16. The rental of equipment for amusement, sports,
20 entertainment, or other recreational activities, such as bowling
21 shoes, skates, golf carts, or other sports or athletic equipment;

22 17. The gross receipts from sales from any vending machine
23 without any deduction for rental to locate the vending machine on
24

1 the premises of a person who is not the owner or any other
2 deductions therefrom;

3 18. The gross receipts or gross proceeds from the rental or
4 lease of tangible personal property, including rental or lease of
5 personal property when the rental or lease agreement requires the
6 vendor to launder, clean, repair, or otherwise service the rented or
7 leased property on a regular basis, without any deduction for the
8 cost of the service rendered. If the rental or lease charge is
9 based on the retail value of the property at the time of making the
10 rental or lease agreement and the expected life of the property, and
11 the rental or lease charge is separately stated from the service
12 cost in the statement, bill, or invoice delivered to the consumer,
13 the cost of services rendered shall be deducted from the gross
14 receipts or gross proceeds;

15 19. Flowers, plants, shrubs, trees, and other floral items,
16 whether or not produced by the vendor, sold by persons engaged in
17 florist or nursery business in this state, including all orders
18 taken by an Oklahoma business for delivery in another state. All
19 orders taken outside this state for delivery within this state shall
20 not be subject to the taxes levied in this section;

21 20. Tangible personal property sold to persons, peddlers,
22 solicitors, or other salesmen, for resale when there is likelihood
23 that this state will lose tax revenue due to the difficulty of
24 enforcing the provisions of the Oklahoma Sales Tax Code because of:

- 1 a. the operation of the business,
- 2 b. the nature of the business,
- 3 c. the turnover of independent contractors,
- 4 d. the lack of place of business in which to display a
- 5 permit or keep records,
- 6 e. lack of adequate records,
- 7 f. the fact that the persons are minors or transients,
- 8 g. the fact that the persons are engaged in service
- 9 businesses, or
- 10 h. any other reasonable reason;

11 21. Any taxable services and tangible personal property
12 including materials, supplies, and equipment sold to contractors for
13 the purpose of developing and improving real estate even though said
14 real estate is intended for resale as real property, hereby declared
15 to be sales to consumers or users, however, taxable materials,
16 supplies and equipment sold to contractors as provided by this
17 subsection which are purchased as a result of and subsequent to the
18 date of a contract entered into either prior to the effective date
19 of any law increasing the rate of sales tax imposed by this article,
20 or entered into prior to the effective date of an ordinance or other
21 measure increasing the sales tax levy of a political subdivision
22 shall be subject to the rate of sales tax applicable, as of the date
23 such contract was entered into, to sales of such materials, supplies
24 and equipment if such purchases are required in order to complete

1 the contract. Such rate shall be applicable to purchases made
2 pursuant to the contract or any change order under the contract
3 until the contract or any change order has been completed, accepted
4 and the contractor has been discharged from any further obligation
5 under the contract or change order or until two (2) years from the
6 date on which the contract was entered into whichever occurs first.
7 The increased sales tax rate shall be applicable to all such
8 purchases at the time of sale and the contractor shall file a claim
9 for refund before the expiration of three (3) years after the date
10 of contract completion or five (5) years after the contract was
11 entered into, whichever occurs earlier. However, the Oklahoma Tax
12 Commission shall prescribe rules and regulations and shall provide
13 procedures for the refund to a contractor of sales taxes collected
14 on purchases eligible for the lower sales tax rate authorized by
15 this subsection; and

16 22. Any taxable services and tangible personal property sold to
17 persons who are primarily engaged in selling their services, such as
18 repairmen, hereby declared to be sales to consumers or users.

19 B. All solicitations or advertisements in print or electronic
20 media by Group Three vendors, for the sale of tangible property to
21 be delivered within this state, shall contain a notice that the sale
22 is subject to Oklahoma sales tax, unless the sale is exempt from
23 such taxation.

24

1 SECTION 45. AMENDATORY 68 O.S. 2001, Section 1356, as
2 last amended by Section 5, Chapter 353, O.S.L. 2007 (68 O.S. Supp.
3 2007, Section 1356), is amended to read as follows:

4 Section 1356. Exemptions - Governmental and nonprofit entities.

5 There are hereby specifically exempted from the tax levied by
6 Section 1350 et seq. of this title:

7 1. Sale of tangible personal property or services to the United
8 States government or to the State of Oklahoma, any political
9 subdivision of this state or any agency of a political subdivision
10 of this state; provided, all sales to contractors in connection with
11 the performance of any contract with the United States government,
12 State of Oklahoma or any of its political subdivisions shall not be
13 exempted from the tax levied by Section 1350 et seq. of this title,
14 except as hereinafter provided;

15 2. Sales of property to agents appointed by or under contract
16 with agencies or instrumentalities of the United States government
17 if ownership and possession of such property transfers immediately
18 to the United States government;

19 3. Sales of property to agents appointed by or under contract
20 with a political subdivision of this state if the sale of such
21 property is associated with the development of a qualified federal
22 facility, as provided in the Oklahoma Federal Facilities Development
23 Act, and if ownership and possession of such property transfers
24 immediately to the political subdivision or the state;

1 4. Sales made directly by county, district or state fair
2 authorities of this state, upon the premises of the fair authority,
3 for the sole benefit of the fair authority or sales of admission
4 tickets to such fairs or fair events at any location in the state
5 authorized by county, district or state fair authorities; provided,
6 the exemption provided by this paragraph for admission tickets to
7 fair events shall apply only to any portion of the admission price
8 that is retained by or distributed to the fair authority. As used
9 in this paragraph, "fair event" shall be limited to an event held on
10 the premises of the fair authority in conjunction with and during
11 the time period of a county, district or state fair;

12 5. Sale of food in cafeterias or lunch rooms of elementary
13 schools, high schools, colleges or universities which are operated
14 primarily for teachers and pupils and are not operated primarily for
15 the public or for profit;

16 6. ~~Dues~~ Before January 1, 2015, dues paid to fraternal,
17 religious, civic, charitable or educational societies or
18 organizations by regular members thereof, provided, such societies
19 or organizations operate under what is commonly termed the lodge
20 plan or system, and provided such societies or organizations do not
21 operate for a profit which inures to the benefit of any individual
22 member or members thereof to the exclusion of other members and dues
23 paid monthly or annually to privately owned scientific and
24 educational libraries by members sharing the use of services

1 rendered by such libraries with students interested in the study of
2 geology, petroleum engineering or related subjects;

3 7. Sale of tangible personal property or services to or by
4 churches, except sales made in the course of business for profit or
5 savings, competing with other persons engaged in the same or a
6 similar business or sale of tangible personal property or services
7 by an organization exempt from federal income tax pursuant to
8 Section 501(c)(3) of the Internal Revenue Code of 1986, as amended,
9 made on behalf of or at the request of a church or churches if the
10 sale of such property is conducted not more than once each calendar
11 year for a period not to exceed three (3) days by the organization
12 and proceeds from the sale of such property are used by the church
13 or churches or by the organization for charitable purposes. Sales
14 exempt pursuant to this paragraph shall be subject to the tax levied
15 by Section 1350 et seq. of this title on and after January 1, 2016;

16 8. The amount of proceeds received before January 1, 2017, from
17 the sale of admission tickets which is separately stated on the
18 ticket of admission for the repayment of money borrowed by any
19 accredited state-supported college or university or any public trust
20 of which a county in this state is the beneficiary, for the purpose
21 of constructing or enlarging any facility to be used for the staging
22 of an athletic event, a theatrical production, or any other form of
23 entertainment, edification or cultural cultivation to which entry is
24 gained with a paid admission ticket. Such facilities include, but

1 are not limited to, athletic fields, athletic stadiums, field
2 houses, amphitheatres and theaters. To be eligible for this sales
3 tax exemption, the amount separately stated on the admission ticket
4 shall be a surcharge which is imposed, collected and used for the
5 sole purpose of servicing or aiding in the servicing of debt
6 incurred by the college or university to effect the capital
7 improvements hereinbefore described;

8 9. Sales of tangible personal property or services made before
9 January 1, 2018, to the council organizations or similar state
10 supervisory organizations of the Boy Scouts of America, Girl Scouts
11 of U.S.A. and the Campfire Boys and Girls;

12 10. Sale of tangible personal property or services to any
13 county, municipality, rural water district, public school district,
14 the institutions of The Oklahoma State System of Higher Education,
15 the Grand River Dam Authority, the Northeast Oklahoma Public
16 Facilities Authority, the Oklahoma Municipal Power Authority, City
17 of Tulsa-Rogers County Port Authority, Muskogee City-County Port
18 Authority, the Oklahoma Department of Veterans Affairs, the Broken
19 Bow Economic Development Authority, Ardmore Development Authority,
20 Durant Industrial Authority, Oklahoma Ordnance Works Authority or to
21 any person with whom any of the above-named subdivisions or agencies
22 of this state has duly entered into a public contract pursuant to
23 law, necessary for carrying out such public contract or to any
24 subcontractor to such a public contract. Any person making

1 purchases on behalf of such subdivision or agency of this state
2 shall certify, in writing, on the copy of the invoice or sales
3 ticket to be retained by the vendor that the purchases are made for
4 and on behalf of such subdivision or agency of this state and set
5 out the name of such public subdivision or agency. Any person who
6 wrongfully or erroneously certifies that purchases are for any of
7 the above-named subdivisions or agencies of this state or who
8 otherwise violates this section shall be guilty of a misdemeanor and
9 upon conviction thereof shall be fined an amount equal to double the
10 amount of sales tax involved or incarcerated for not more than sixty
11 (60) days or both;

12 11. Sales of tangible personal property or services made before
13 January 1, 2011, to private institutions of higher education and
14 private elementary and secondary institutions of education
15 accredited by the State Department of Education or registered by the
16 State Board of Education for purposes of participating in federal
17 programs or accredited as defined by the Oklahoma State Regents for
18 Higher Education which are exempt from taxation pursuant to the
19 provisions of the Internal Revenue Code, 26 U.S.C., Section
20 501(c)(3), including materials, supplies, and equipment used in the
21 construction and improvement of buildings and other structures owned
22 by the institutions and operated for educational purposes.

23 Any person, firm, agency or entity making purchases on behalf of
24 any institution, agency or subdivision in this state, shall certify

1 in writing, on the copy of the invoice or sales ticket the nature of
2 the purchases, and violation of this paragraph shall be a
3 misdemeanor as set forth in paragraph 10 of this section;

4 12. Tuition and educational fees paid before January 1, 2012,
5 to private institutions of higher education and private elementary
6 and secondary institutions of education accredited by the State
7 Department of Education or registered by the State Board of
8 Education for purposes of participating in federal programs or
9 accredited as defined by the Oklahoma State Regents for Higher
10 Education which are exempt from taxation pursuant to the provisions
11 of the Internal Revenue Code, 26 U.S.C., Section 501(c)(3);

12 13. a. Sales of tangible personal property made before
13 January 1, 2013, by:

- 14 (1) a public school,
- 15 (2) a private school offering instruction for grade
16 levels kindergarten through twelfth grade,
- 17 (3) a public school district,
- 18 (4) a public or private school board,
- 19 (5) a public or private school student group or
20 organization,
- 21 (6) a parent-teacher association or organization
22 other than as specified in subparagraph b of this
23 paragraph, or
24

1 (7) public or private school personnel for purposes
2 of raising funds for the benefit of a public or
3 private school, public school district, public or
4 private school board or public or private school
5 student group or organization, or

6 b. Sales of tangible personal property made before
7 January 1, 2013, by or to nonprofit parent-teacher
8 associations or organizations exempt from taxation
9 pursuant to the provisions of the Internal Revenue
10 Code, 26 U.S.C., Section 501(c)(3).

11 The exemption provided by this paragraph for sales made by a
12 public or private school shall be limited to those public or private
13 schools accredited by the State Department of Education or
14 registered by the State Board of Education for purposes of
15 participating in federal programs. Sale of tangible personal
16 property in this paragraph shall include sale of admission tickets
17 and concessions at athletic events;

18 14. Sales of tangible personal property made before January 1,
19 2014, by:

- 20 a. local 4-H clubs,
- 21 b. county, regional or state 4-H councils,
- 22 c. county, regional or state 4-H committees,
- 23 d. 4-H leader associations,
- 24 e. county, regional or state 4-H foundations, and

1 f. authorized 4-H camps and training centers.

2 The exemption provided by this paragraph shall be limited to
3 sales for the purpose of raising funds for the benefit of such
4 organizations. Sale of tangible personal property exempted by this
5 paragraph shall include sale of admission tickets;

6 15. The first Seventy-five Thousand Dollars (\$75,000.00) each
7 year before January 1, 2015, from sale of tickets and concessions at
8 athletic events by each organization exempt from taxation pursuant
9 to the provisions of the Internal Revenue Code, 26 U.S.C., Section
10 501(c)(4);

11 16. Items or services which are subsequently given away by the
12 Oklahoma Tourism and Recreation Department as promotional items
13 pursuant to Section 1834 of Title 74 of the Oklahoma Statutes and
14 the sale of advertising in travel brochures and other promotional
15 materials produced at the direction of the Department;

16 17. Sales of tangible personal property or services made before
17 January 1, 2016, to fire departments organized pursuant to Section
18 592 of Title 18 of the Oklahoma Statutes which items are to be used
19 for the purposes of the fire department. Any person making
20 purchases on behalf of any such fire department shall certify, in
21 writing, on the copy of the invoice or sales ticket to be retained
22 by the vendor that the purchases are made for and on behalf of such
23 fire department and set out the name of such fire department. Any
24 person who wrongfully or erroneously certifies that the purchases

1 are for any such fire department or who otherwise violates the
2 provisions of this section shall be deemed guilty of a misdemeanor
3 and upon conviction thereof, shall be fined an amount equal to
4 double the amount of sales tax involved or incarcerated for not more
5 than sixty (60) days, or both;

6 18. Complimentary or free tickets for admission to places of
7 amusement, sports, entertainment, exhibition, display or other
8 recreational events or activities which are issued before January 1,
9 2017, through a box office or other entity which is operated by a
10 state institution of higher education with institutional employees
11 or by a municipality with municipal employees;

12 19. The first Fifteen Thousand Dollars (\$15,000.00) each year
13 before January 1, 2018, from sales of tangible personal property by
14 fire departments organized pursuant to Titles 11, 18, or 19 of the
15 Oklahoma Statutes for the purposes of raising funds for the benefit
16 of the fire department. Fire departments selling tangible personal
17 property for the purposes of raising funds shall be limited to no
18 more than six (6) days each year to raise such funds in order to
19 receive the exemption granted by this paragraph;

20 20. Sales of tangible personal property or services made before
21 January 1, 2011, to any Boys & Girls Clubs of America affiliate in
22 this state which is not affiliated with the Salvation Army and which
23 is exempt from taxation pursuant to the provisions of the Internal
24 Revenue Code, 26 U.S.C., Section 501(c)(3);

1 21. Sales of tangible personal property or services made before
2 January 1, 2012, to any organization, which takes court-adjudicated
3 juveniles for purposes of rehabilitation, and which is exempt from
4 taxation pursuant to the provisions of the Internal Revenue Code, 26
5 U.S.C., Section 501(c)(3), provided that at least fifty percent
6 (50%) of the juveniles served by such organization are court
7 adjudicated and the organization receives state funds in an amount
8 less than ten percent (10%) of the annual budget of the
9 organization;

10 22. Sales of tangible personal property or services made before
11 January 1, 2013, to:

12 a. any federally qualified community health center as
13 defined in Section 254c of Title 42 of the United
14 States Code,

15 b. any migrant health center as defined in Section 254b
16 of Title 42 of the United States Code,

17 c. any clinic receiving disbursements of state monies
18 from the Indigent Health Care Revolving Fund pursuant
19 to the provisions of Section 66 of Title 56 of the
20 Oklahoma Statutes,

21 d. any community based health center which meets all of
22 the following criteria:

23 (1) provides primary care services at no cost to the
24 recipient, and

1 (2) is exempt from taxation pursuant to the
2 provisions of Section 501(c)(3) of the Internal
3 Revenue Code, 26 U.S.C., Section 501(c)(3), and
4 e. any community mental health center as defined in
5 Section 3-302 of Title 43A of the Oklahoma Statutes;

6 23. Dues or fees paid before January 1, 2014, including free or
7 complimentary dues or fees which have a value equivalent to the
8 charge that could have otherwise been made, to YMCAs, YWCAs or
9 municipally-owned recreation centers for the use of facilities and
10 programs;

11 24. The first Fifteen Thousand Dollars (\$15,000.00) each year
12 before January 1, 2015, from sales of tangible personal property or
13 services to or by a cultural organization established to sponsor and
14 promote educational, charitable and cultural events for
15 disadvantaged children, and which organization is exempt from
16 taxation pursuant to the provisions of the Internal Revenue Code, 26
17 U.S.C., Section 501(c)(3);

18 25. Sales of tangible personal property or services made before
19 January 1, 2016, to museums or other entities which have been
20 accredited by the American Association of Museums. Any person
21 making purchases on behalf of any such museum or other entity shall
22 certify, in writing, on the copy of the invoice or sales ticket to
23 be retained by the vendor that the purchases are made for and on
24 behalf of such museum or other entity and set out the name of such

1 museum or other entity. Any person who wrongfully or erroneously
2 certifies that the purchases are for any such museum or other entity
3 or who otherwise violates the provisions of this paragraph shall be
4 deemed guilty of a misdemeanor and, upon conviction thereof, shall
5 be fined an amount equal to double the amount of sales tax involved
6 or incarcerated for not more than sixty (60) days, or by both such
7 fine and incarceration;

8 26. Sales of tickets for admission made before January 1, 2017,
9 by any museum accredited by the American Association of Museums. In
10 order to be eligible for the exemption provided by this paragraph,
11 an amount equivalent to the amount of the tax which would otherwise
12 be required to be collected pursuant to the provisions of Section
13 1350 et seq. of this title shall be separately stated on the
14 admission ticket and shall be collected and used for the sole
15 purpose of servicing or aiding in the servicing of debt incurred by
16 the museum to effect the construction, enlarging or renovation of
17 any facility to be used for entertainment, edification or cultural
18 cultivation to which entry is gained with a paid admission ticket;

19 27. Sales of tangible personal property or services occurring
20 on or after June 1, 1995, and before January 1, 2018, to children's
21 homes which are supported or sponsored by one or more churches,
22 members of which serve as trustees of the home;

23 28. Sales of tangible personal property or services made before
24 January 1, 2011, to the organization known as the Disabled American

1 Veterans, Department of Oklahoma, Inc., and subordinate chapters
2 thereof;

3 29. Sales of tangible personal property or services made before
4 January 1, 2012, to youth camps which are supported or sponsored by
5 one or more churches, members of which serve as trustees of the
6 organization;

7 30. Transfer of tangible personal property made pursuant to
8 Section 3226 of Title 63 of the Oklahoma Statutes by the University
9 Hospitals Trust;

10 31. Sales of tangible personal property or services to a
11 municipality, county or school district pursuant to a lease or
12 lease-purchase agreement executed between the vendor and a
13 municipality, county or school district. A copy of the lease or
14 lease-purchase agreement shall be retained by the vendor;

15 32. Sales of tangible personal property or services made before
16 January 1, 2013, to any spaceport user, as defined in the Oklahoma
17 Space Industry Development Act;

18 33. ~~The~~ Before January 1, 2014, the sale, use, storage,
19 consumption, or distribution in this state, whether by the importer,
20 exporter, or another person, of any satellite or any associated
21 launch vehicle, including components of, and parts and motors for,
22 any such satellite or launch vehicle, imported or caused to be
23 imported into this state for the purpose of export by means of
24

1 launching into space. This exemption provided by this paragraph
2 shall not be affected by:

- 3 a. the destruction in whole or in part of the satellite
- 4 or launch vehicle,
- 5 b. the failure of a launch to occur or be successful, or
- 6 c. the absence of any transfer or title to, or possession
- 7 of, the satellite or launch vehicle after launch;

8 34. ~~The~~ Before January 1, 2015, the sale, lease, use, storage,
9 consumption, or distribution in this state of any space facility,
10 space propulsion system or space vehicle, satellite, or station of
11 any kind possessing space flight capacity, including components
12 thereof;

13 35. ~~The~~ Before January 1, 2015, the sale, lease, use, storage,
14 consumption, or distribution in this state of tangible personal
15 property, placed on or used aboard any space facility, space
16 propulsion system or space vehicle, satellite, or station possessing
17 space flight capacity, which is launched into space, irrespective of
18 whether such tangible property is returned to this state for
19 subsequent use, storage, or consumption in any manner;

20 36. ~~The~~ Before January 1, 2015, the sale, lease, use, storage,
21 consumption, or distribution in this state of tangible personal
22 property meeting the definition of "section 38 property" as defined
23 in Sections 48(a)(1)(A) and (B)(i) of the Internal Revenue Code of
24 1986, that is an integral part of and used primarily in support of

1 space flight; however, section 38 property used in support of space
2 flight shall not include general office equipment, any boat, mobile
3 home, motor vehicle, or other vehicle of a class or type required to
4 be registered, licensed, titled, or documented in this state or by
5 the United States government, or any other property not specifically
6 suited to supporting space activity. The term "in support of space
7 flight", for purposes of this paragraph, means the altering,
8 monitoring, controlling, regulating, adjusting, servicing, or
9 repairing of any space facility, space propulsion systems or space
10 vehicle, satellite, or station possessing space flight capacity,
11 including the components thereof;

12 37. ~~The~~ Before January 1, 2015, the purchase or lease of
13 machinery and equipment for use at a fixed location in this state,
14 which is used exclusively in the manufacturing, processing,
15 compounding, or producing of any space facility, space propulsion
16 system or space vehicle, satellite, or station of any kind
17 possessing space flight capacity. Provided, the exemption provided
18 for in this paragraph shall not be allowed unless the purchaser or
19 lessee signs an affidavit stating that the item or items to be
20 exempted are for the exclusive use designated herein. Any person
21 furnishing a false affidavit to the vendor for the purpose of
22 evading payment of any tax imposed by Section 1354 of this title
23 shall be subject to the penalties provided by law. As used in this
24 paragraph, "machinery and equipment" means "section 38 property" as

1 defined in Sections 48(a)(1)(A) and (B)(i) of the Internal Revenue
2 Code of 1986, which is used as an integral part of the
3 manufacturing, processing, compounding, or producing of items of
4 tangible personal property. Such term includes parts and
5 accessories only to the extent that the exemption thereof is
6 consistent with the provisions of this paragraph;

7 38. The amount of a surcharge or any other amount which is
8 separately stated on an admission ticket which is imposed, collected
9 and used before January 1, 2016, for the sole purpose of
10 constructing, remodeling or enlarging facilities of a public trust
11 having a municipality or county as its sole beneficiary;

12 39. Sales of tangible personal property or services made before
13 January 1, 2017, which are directly used in or for the benefit of a
14 state park in this state, which are made to an organization which is
15 exempt from taxation pursuant to the provisions of the Internal
16 Revenue Code, 26 U.S.C., Section 501(c)(3) and which is organized
17 primarily for the purpose of supporting one or more state parks
18 located in this state;

19 40. The sale, lease or use of parking privileges by an
20 institution of The Oklahoma State System of Higher Education;

21 41. Sales of tangible personal property or services for use on
22 campus or school construction projects for the benefit of
23 institutions of The Oklahoma State System of Higher Education,
24 private institutions of higher education accredited by the Oklahoma

1 State Regents for Higher Education or any public school or school
2 district when such projects are financed by or through the use of
3 nonprofit entities which are exempt from taxation pursuant to the
4 provisions of the Internal Revenue Code, 26 U.S.C., Section
5 501(c) (3);

6 42. Sales of tangible personal property or services made before
7 January 1, 2018, by an organization which is exempt from taxation
8 pursuant to the provisions of the Internal Revenue Code, 26 U.S.C.,
9 Section 501(c) (3), in the course of conducting a national
10 championship sports event, but only if all or a portion of the
11 payment in exchange therefor would qualify as the receipt of a
12 qualified sponsorship payment described in Internal Revenue Code, 26
13 U.S.C., Section 513(i). Sales exempted pursuant to this paragraph
14 shall be exempt from all Oklahoma sales, use, excise and gross
15 receipts taxes;

16 43. Sales of tangible personal property or services made before
17 January 1, 2011, to or by an organization which:

18 a. is exempt from taxation pursuant to the provisions of
19 the Internal Revenue Code, 26 U.S.C., Section
20 501(c) (3),

21 b. is affiliated with a comprehensive university within
22 The Oklahoma State System of Higher Education, and
23
24

1 c. has been organized primarily for the purpose of
2 providing education and teacher training and
3 conducting events relating to robotics;

4 44. The first Fifteen Thousand Dollars (\$15,000.00) each year
5 before January 1, 2012, from sales of tangible personal property to
6 or by youth athletic teams which are part of an athletic
7 organization exempt from taxation pursuant to the provisions of the
8 Internal Revenue Code, 26 U.S.C., Section 501(c)(4), for the
9 purposes of raising funds for the benefit of the team;

10 45. Sales of tickets for admission to a collegiate athletic
11 event that is held before January 1, 2013, in a facility owned or
12 operated by a municipality or a public trust of which the
13 municipality is the sole beneficiary and that actually determines or
14 is part of a tournament or tournament process for determining a
15 conference tournament championship, a conference championship, or a
16 national championship;

17 46. Sales of tangible personal property or services made before
18 January 1, 2014, to or by an organization which is exempt from
19 taxation pursuant to the provisions of the Internal Revenue Code, 26
20 U.S.C., Section 501(c)(3) and is operating the Oklahoma City
21 National Memorial and Museum, an affiliate of the National Park
22 System;

23 47. Sales of tangible personal property or services made before
24 January 1, 2015, to organizations which are exempt from federal

1 taxation pursuant to the provisions of Section 501(c)(3) of the
2 Internal Revenue Code, 26 U.S.C., Section 501(c)(3), the memberships
3 of which are limited to honorably discharged veterans, and which
4 furnish financial support to area veterans' organizations to be used
5 for the purpose of constructing a memorial or museum;

6 48. Sales of tangible personal property or services on or after
7 January 1, 2003, and before January 1, 2016, to an organization
8 which is exempt from taxation pursuant to the provisions of the
9 Internal Revenue Code, 26 U.S.C., Section 501(c)(3) that is
10 expending monies received from a private foundation grant in
11 conjunction with expenditures of local sales tax revenue to
12 construct a local public library;

13 49. Sales of tangible personal property or services to a state
14 that borders this state or any political subdivision of that state,
15 but only to the extent that the other state or political subdivision
16 exempts or does not impose a tax on similar sales of items to this
17 state or a political subdivision of this state;

18 50. ~~Effective~~ On or after July 1, 2005, and before January 1,
19 2017, sales of tangible personal property or services to the Career
20 Technology Student Organizations under the direction and supervision
21 of the Oklahoma Department of Career and Technology Education;

22 51. Sales of tangible personal property made before January 1,
23 2018, to a public trust having either a single city, town or county
24 or multiple cities, towns or counties or combination thereof as

1 beneficiary or beneficiaries or a nonprofit organization which is
2 exempt from taxation pursuant to the provisions of the Internal
3 Revenue Code, 26 U.S.C., Section 501(c)(3) for the purpose of
4 constructing improvements to or expanding a hospital or nursing home
5 owned and operated by any such public trust or nonprofit entity
6 prior to the effective date of this act in counties with a
7 population of less than one hundred thousand (100,000) persons,
8 according to the most recent Federal Decennial Census. As used in
9 this paragraph, "constructing improvements to or expanding" shall
10 not mean any expense for routine maintenance or general repairs and
11 shall require a project cost of at least One Hundred Thousand
12 Dollars (\$100,000.00). For purposes of this paragraph, sales made
13 to a contractor or subcontractor that enters into a contractual
14 relationship with a public trust or nonprofit entity as described by
15 this paragraph shall be considered sales made to the public trust or
16 nonprofit entity. The exemption authorized by this paragraph shall
17 be administered in the form of a refund from the sales tax revenues
18 apportioned pursuant to Section 1353 of this title and the vendor
19 shall be required to collect the sales tax otherwise applicable to
20 the transaction. The purchaser may apply for a refund of the sales
21 tax paid in the manner prescribed by this paragraph. Within thirty
22 (30) days after the end of each fiscal year, any purchaser that is
23 entitled to make application for a refund based upon the exempt
24 treatment authorized by this paragraph may file an application for

1 refund of the sales taxes paid during such preceding fiscal year.
2 The Tax Commission shall prescribe a form for purposes of making the
3 application for refund. The Tax Commission shall determine whether
4 or not the total amount of sales tax exemptions claimed by all
5 purchasers is equal to or less than Six Hundred Fifty Thousand
6 Dollars (\$650,000.00). If such claims are less than or equal to
7 that amount, the Tax Commission shall make refunds to the purchasers
8 in the full amount of the documented and verified sales tax amounts.
9 If such claims by all purchasers are in excess of Six Hundred Fifty
10 Thousand Dollars (\$650,000.00), the Tax Commission shall determine
11 the amount of each purchaser's claim, the total amount of all claims
12 by all purchasers, and the percentage each purchaser's claim amount
13 bears to the total. The resulting percentage determined for each
14 purchaser shall be multiplied by Six Hundred Fifty Thousand Dollars
15 (\$650,000.00) to determine the amount of refundable sales tax to be
16 paid to each purchaser. The pro rata refund amount shall be the
17 only method to recover sales taxes paid during the preceding fiscal
18 year and no balance of any sales taxes paid on a pro rata basis
19 shall be the subject of any subsequent refund claim pursuant to this
20 paragraph;

21 52. ~~Effective~~ On or after July 1, 2006, and before January 1,
22 2011, sales of tangible personal property or services to any
23 organization which assists, trains, educates, and provides housing
24 for physically and mentally handicapped persons and which is exempt

1 from taxation pursuant to the provisions of the Internal Revenue
2 Code, 26 U.S.C., Section 501(c)(3) and that receives at least
3 eighty-five percent (85%) of its annual budget from state or federal
4 funds. In order to receive the benefit of the exemption authorized
5 by this paragraph, the taxpayer shall be required to make payment of
6 the applicable sales tax at the time of sale to the vendor in the
7 manner otherwise required by law. Notwithstanding any other
8 provision of the Oklahoma Uniform Tax Procedure Code to the
9 contrary, the taxpayer shall be authorized to file a claim for
10 refund of sales taxes paid that qualify for the exemption authorized
11 by this paragraph for a period of one (1) year after the date of the
12 sale transaction. The taxpayer shall be required to provide
13 documentation as may be prescribed by the Oklahoma Tax Commission in
14 support of the refund claim. The total amount of sales tax
15 qualifying for exempt treatment pursuant to this paragraph shall not
16 exceed One Hundred Seventy-five Thousand Dollars (\$175,000.00) each
17 fiscal year. Claims for refund shall be processed in the order in
18 which such claims are received by the Oklahoma Tax Commission. If a
19 claim otherwise timely filed exceeds the total amount of refunds
20 payable for a fiscal year, such claim shall be barred;

21 53. The first Two Thousand Dollars (\$2,000.00) each year before
22 January 1, 2012, of sales of tangible personal property or services
23 to, by, or for the benefit of a qualified neighborhood watch
24 organization that is endorsed or supported by or working directly

1 with a law enforcement agency with jurisdiction in the area in which
2 the neighborhood watch organization is located. As used in this
3 paragraph, "qualified neighborhood watch organization" means an
4 organization that is a not-for-profit corporation under the laws of
5 the State of Oklahoma that was created to help prevent criminal
6 activity in an area through community involvement and interaction
7 with local law enforcement and which is one of the first two
8 thousand organizations which makes application to the Oklahoma Tax
9 Commission for the exemption after the effective date of this act;

10 54. Sales of tangible personal property to a nonprofit
11 organization, exempt from taxation pursuant to the provisions of the
12 Internal Revenue Code, 26 U.S.C., Section 501(c)(3), organized
13 primarily for the purpose of providing services to homeless persons
14 during the day and located in a metropolitan area with a population
15 in excess of five hundred thousand (500,000) persons according to
16 the latest Federal Decennial Census. The exemption authorized by
17 this paragraph shall be applicable to sales of tangible personal
18 property to a qualified entity occurring on or after January 1,
19 2005, and before January 1, 2013;

20 55. Sales of tangible personal property or services made before
21 January 1, 2014, by an organization which is exempt from taxation
22 pursuant to the provisions of the Internal Revenue Code, 26 U.S.C.,
23 Section 501(c)(3) made during auction events the principal purpose
24

1 of which is to provide funding for the preservation of wetlands and
2 habitat for wild ducks;

3 56. Sales of tangible personal property or services made before
4 January 1, 2015, by an organization which is exempt from taxation
5 pursuant to the provisions of the Internal Revenue Code, 26 U.S.C.,
6 Section 501(c)(3) made during auction events the principal purpose
7 of which is to provide funding for the preservation and conservation
8 of wild turkeys;

9 57. Sales of tangible personal property or services made before
10 January 1, 2016, to an organization which:

11 a. is exempt from taxation pursuant to the provisions of
12 the Internal Revenue Code, 26 U.S.C., Section
13 501(c)(3), and

14 b. is part of a network of community-based, autonomous
15 member organizations that meets the following
16 criteria:

17 (1) serves people with workplace disadvantages and
18 disabilities by providing job training and
19 employment services, as well as job placement
20 opportunities and post-employment support,

21 (2) has locations in the United States and at least
22 twenty other countries,

23

24

1 (3) collects donated clothing and household goods to
2 sell in retail stores and provides contract labor
3 services to business and government, and

4 (4) provides documentation to the Oklahoma Tax
5 Commission that over seventy-five percent (75%)
6 of its revenues are channeled into employment,
7 job training and placement programs and other
8 critical community services;

9 58. Sales of tickets made on or after September 21, 2005, and
10 before January 1, 2017, and complimentary or free tickets for
11 admission issued on or after September 21, 2005, and before January
12 1, 2017, which have a value equivalent to the charge that would have
13 otherwise been made, for admission to a professional athletic event
14 in which a team in the National Basketball Association is a
15 participant, which is held in a facility owned or operated by a
16 municipality, a county or a public trust of which a municipality or
17 a county is the sole beneficiary, and sales of tickets made on or
18 after the effective date of this act, and complimentary or free
19 tickets for admission issued on or after the effective date of this
20 act, which have a value equivalent to the charge that would have
21 otherwise been made, for admission to a professional athletic event
22 in which a team in the National Hockey League is a participant,
23 which is held in a facility owned or operated by a municipality, a
24

1 county or a public trust of which a municipality or a county is the
2 sole beneficiary;

3 59. Sales made before January 1, 2018, of tickets for admission
4 and complimentary or free tickets for admission which have a value
5 equivalent to the charge that would have otherwise been made to a
6 professional sporting event involving ice hockey, baseball,
7 basketball, football or arena football, or soccer. As used in this
8 paragraph, "professional sporting event" means an organized athletic
9 competition between teams that are members of an organized league or
10 association with centralized management, other than a national
11 league or national association, that imposes requirements for
12 participation in the league upon the teams, the individual athletes
13 or both, and which uses a salary structure to compensate the
14 athletes;

15 60. Sales of tickets made before January 1, 2011, for admission
16 to an annual event sponsored by an educational and charitable
17 organization of women which is exempt from taxation pursuant to the
18 provisions of the Internal Revenue Code, 26 U.S.C., Section
19 501(c)(3) and has as its mission promoting volunteerism, developing
20 the potential of women and improving the community through the
21 effective action and leadership of trained volunteers;

22 61. Sales of tangible personal property or services made before
23 January 1, 2012, to an organization, which is exempt from taxation
24 pursuant to the provisions of the Internal Revenue Code, 26 U.S.C.,

1 Section 501(c)(3), and which is itself a member of an organization
2 which is exempt from taxation pursuant to the provisions of the
3 Internal Revenue Code, 26 U.S.C., Section 501(c)(3), if the
4 membership organization is primarily engaged in advancing the
5 purposes of its member organizations through fundraising, public
6 awareness or other efforts for the benefit of its member
7 organizations, and if the member organization is primarily engaged
8 either in providing educational services and programs concerning
9 health-related diseases and conditions to individuals suffering from
10 such health-related diseases and conditions or their caregivers and
11 family members or support to such individuals, or in health-related
12 research as to such diseases and conditions, or both. In order to
13 qualify for the exemption authorized by this paragraph, the member
14 nonprofit organization shall be required to provide proof to the
15 Oklahoma Tax Commission of its membership status in the membership
16 organization;

17 62. Sales of tangible personal property or services made before
18 January 1, 2013, to or by an organization which is part of a
19 national volunteer women's service organization dedicated to
20 promoting patriotism, preserving American history and securing
21 better education for children and which has at least 168,000 members
22 in 3,000 chapters across the United States;

23 63. Sales of tangible personal property or services made before
24 January 1, 2014, to or by a YWCA or YMCA organization which is part

1 of a national nonprofit community service organization working to
2 meet the health and social service needs of its members across the
3 United States;

4 64. Sales of tangible personal property or services made before
5 January 1, 2015, to or by a veteran's organization which is exempt
6 from taxation pursuant to the provisions of the Internal Revenue
7 Code, 26 U.S.C., Section 501 (c) (19) and which is known as the
8 Veterans of Foreign Wars of the United States, Oklahoma Chapters;

9 65. Sales of boxes of food before January 1, 2016, by a church
10 or by an organization, which is exempt from taxation pursuant to the
11 provisions of the Internal Revenue Code, 26 U.S.C., Section
12 501(c) (3). To qualify under the provisions of this paragraph, the
13 organization must be organized for the primary purpose of feeding
14 needy individuals or to encourage volunteer service by requiring
15 such service in order to purchase food. These boxes shall only
16 contain edible staple food items;

17 66. Sales of tangible personal property or services made before
18 January 1, 2017, to any person with whom a church has duly entered
19 into a construction contract, necessary for carrying out such
20 contract or to any subcontractor to such a construction contract;

21 67. Sales of tangible personal property or services made before
22 January 1, 2018, used exclusively for charitable or educational
23 purposes, to or by an organization which:
24

- 1 a. is exempt from taxation pursuant to the provisions of
2 the Internal Revenue Code, 26 U.S.C., Section
3 501(c)(3),
- 4 b. has filed a Not-for-Profit Certificate of
5 Incorporation in this state, and
- 6 c. is organized for the purpose of:
- 7 (1) providing training and education to
8 developmentally disabled individuals,
- 9 (2) educating the community about the rights,
10 abilities and strengths of developmentally
11 disabled individuals, and
- 12 (3) promoting unity among developmentally disabled
13 individuals in their community and geographic
14 area;

15 68. Sales of tangible personal property or services made before
16 January 1, 2011, to any organization which is a shelter for abused,
17 neglected, or abandoned children and which is exempt from taxation
18 pursuant to the provisions of the Internal Revenue Code, 26 U.S.C.,
19 Section 501(c)(3); provided, until July 1, 2008, such exemption
20 shall apply only to eligible shelters for children from birth to age
21 twelve (12) and after July 1, 2008, such exemption shall apply to
22 eligible shelters for children from birth to age eighteen (18);
23
24

1 69. Sales of tangible personal property or services made before
2 January 1, 2012, to a child care center which is licensed pursuant
3 to the Oklahoma Child Care Facilities Licensing Act and which:

4 a. possesses a 3-star rating from the Department of Human
5 Services Reaching for the Stars Program or a national
6 accreditation, and

7 b. allows on site universal pre-kindergarten education to
8 be provided to four-year-old children through a
9 contractual agreement with any public school or school
10 district.

11 For the purposes of this paragraph, sales made to any person,
12 firm, agency or entity that has entered previously into a
13 contractual relationship with a child care center for construction
14 and improvement of buildings and other structures owned by the child
15 care center and operated for educational purposes shall be
16 considered sales made to a child care center. Any such person,
17 firm, agency or entity making purchases on behalf of a child care
18 center shall certify in writing, on the copy of the invoice or sales
19 ticket the nature of the purchase. Any such person, or person
20 acting on behalf of a firm, agency or entity making purchases on
21 behalf of a child care center in violation of this paragraph shall
22 be guilty of a misdemeanor and upon conviction thereof shall be
23 fined an amount equal to double the amount of sales tax involved or
24 incarcerated for not more than sixty (60) days or both; and

1 70. a. Sales of tangible personal property made before
2 January 1, 2013, to a service organization of mothers
3 who have children who are serving or who have served
4 in the military, which service organization is exempt
5 from taxation pursuant to the provisions of the
6 Internal Revenue Code, 26 U.S.C., Section 501(c)(19)
7 and which is known as the Blue Star Mothers of
8 America, Inc. The exemption provided by this
9 paragraph shall only apply to the purchase of tangible
10 personal property actually sent to United States
11 military personnel overseas who are serving in a
12 combat zone and not to any other tangible personal
13 property purchased by the organization. Provided,
14 this exemption shall not apply to any sales tax levied
15 by a city, town, county, or any other jurisdiction in
16 this state.

17 b. The exemption authorized by this paragraph shall be
18 administered in the form of a refund from the sales
19 tax revenues apportioned pursuant to Section 1353 of
20 this title, and the vendor shall be required to
21 collect the sales tax otherwise applicable to the
22 transaction. The purchaser may apply for a refund of
23 the state sales tax paid in the manner prescribed by
24 this paragraph. Within sixty (60) days after the end

1 of each calendar quarter, any purchaser that is
2 entitled to make application for a refund based upon
3 the exempt treatment authorized by this paragraph may
4 file an application for refund of the state sales
5 taxes paid during such preceding calendar quarter.
6 The Tax Commission shall prescribe a form for purposes
7 of making the application for refund.

8 c. A purchaser who applies for a refund pursuant to this
9 paragraph shall certify that the items were actually
10 sent to military personnel overseas in a combat zone.
11 Any purchaser that applies for a refund for the
12 purchase of items that are not authorized for
13 exemption under this paragraph shall be subject to a
14 penalty in the amount of Five Hundred Dollars
15 (\$500.00).

16 SECTION 46. AMENDATORY 68 O.S. 2001, Section 1357, as
17 last amended by Section 1, Chapter 253, O.S.L. 2007 (68 O.S. Supp.
18 2007, Section 1357), is amended to read as follows:

19 Section 1357. There are hereby specifically exempted from the
20 tax levied by the Oklahoma Sales Tax Code:

21 1. Transportation which occurs before January 1, 2014, of
22 school pupils to and from elementary schools or high schools in
23 motor or other vehicles;
24

1 2. Transportation which occurs before January 1, 2015, of
2 persons where the fare of each person does not exceed One Dollar
3 (\$1.00), or local transportation of persons within the corporate
4 limits of a municipality except by taxicabs;

5 3. Sales for resale to persons engaged in the business of
6 reselling the articles purchased, whether within or without the
7 state, provided that such sales to residents of this state are made
8 to persons to whom sales tax permits have been issued as provided in
9 the Oklahoma Sales Tax Code. This exemption shall not apply to the
10 sales of articles made to persons holding permits when such persons
11 purchase items for their use and which they are not regularly
12 engaged in the business of reselling; neither shall this exemption
13 apply to sales of tangible personal property to peddlers, solicitors
14 and other salespersons who do not have an established place of
15 business and a sales tax permit. The exemption provided by this
16 paragraph shall apply to sales of motor fuel or diesel fuel to a
17 Group Five vendor, but the use of such motor fuel or diesel fuel by
18 the Group Five vendor shall not be exempt from the tax levied by the
19 Oklahoma Sales Tax Code. The purchase of motor fuel or diesel fuel
20 is exempt from sales tax when the motor fuel is for shipment outside
21 this state and consumed by a common carrier by rail in the conduct
22 of its business. The sales tax shall apply to the purchase of motor
23 fuel or diesel fuel in Oklahoma by a common carrier by rail when
24

1 such motor fuel is purchased for fueling, within this state, of any
2 locomotive or other motorized flanged wheel equipment;

3 4. Sales made before January 1, 2016, of advertising space in
4 newspapers and periodicals;

5 5. Sales of programs relating to sporting and entertainment
6 events, and sales of advertising on billboards (including signage,
7 posters, panels, marquees, or on other similar surfaces, whether
8 indoors or outdoors) or in programs relating to sporting and
9 entertainment events, and sales of any advertising, to be displayed
10 at or in connection with a sporting event, via the Internet,
11 electronic display devices, or through public address or broadcast
12 systems. The exemption authorized by this paragraph shall be
13 effective for all sales made on or after January 1, 2001, and before
14 January 1, 2017;

15 6. Sales made before January 1, 2018, of any advertising, other
16 than the advertising described by paragraph 5 of this section, via
17 the Internet, electronic display devices, or through the electronic
18 media, including radio, public address or broadcast systems,
19 television (whether through closed circuit broadcasting systems or
20 otherwise), and cable and satellite television, and the servicing of
21 any advertising devices;

22 7. Eggs, feed, supplies, machinery and equipment purchased
23 before January 1, 2011, by persons regularly engaged in the business
24 of raising worms, fish, any insect or any other form of terrestrial

1 or aquatic animal life and used for the purpose of raising same for
2 marketing. This exemption shall only be granted and extended to the
3 purchaser when the items are to be used and in fact are used in the
4 raising of animal life as set out above. Each purchaser shall
5 certify, in writing, on the invoice or sales ticket retained by the
6 vendor that the purchaser is regularly engaged in the business of
7 raising such animal life and that the items purchased will be used
8 only in such business. The vendor shall certify to the Oklahoma Tax
9 Commission that the price of the items has been reduced to grant the
10 full benefit of the exemption. Violation hereof by the purchaser or
11 vendor shall be a misdemeanor;

12 8. Sale of natural or artificial gas and electricity, and
13 associated delivery or transmission services, when sold exclusively
14 for residential use before January 1, 2012. Provided, this
15 exemption shall not apply to any sales tax levied by a city or town,
16 or a county, or any other jurisdiction in this state;

17 9. In addition to the exemptions authorized by Section 1357.6
18 of this title, sales of drugs sold before January 1, 2013, pursuant
19 to a prescription written for the treatment of human beings by a
20 person licensed to prescribe the drugs, and sales of insulin and
21 medical oxygen. Provided, this exemption shall not apply to over-
22 the-counter drugs;

23 10. Transfers of title or possession of empty, partially
24 filled, or filled returnable oil and chemical drums made before

1 January 1, 2014, to any person who is not regularly engaged in the
2 business of selling, reselling or otherwise transferring empty,
3 partially filled, or filled returnable oil drums;

4 11. Sales made before January 1, 2015, of one-way utensils,
5 paper napkins, paper cups, disposable hot containers and other one-
6 way carry out materials to a vendor of meals or beverages;

7 12. Sales of food or food products for home consumption which
8 are purchased in whole or in part with coupons issued pursuant to
9 the federal food stamp program as authorized by Sections 2011
10 through 2029 of Title 7 of the United States Code, as to that
11 portion purchased with such coupons. The exemption provided for
12 such sales shall be inapplicable to such sales upon the effective
13 date of any federal law that removes the requirement of the
14 exemption as a condition for participation by the state in the
15 federal food stamp program;

16 13. Sales of food or food products, or any equipment or
17 supplies used in the preparation of the food or food products made
18 before January 1, 2016, to or by an organization which:

- 19 a. is exempt from taxation pursuant to the provisions of
20 Section 501(c)(3) of the Internal Revenue Code, 26
21 U.S.C., Section 501(c)(3), and which provides and
22 delivers prepared meals for home consumption to
23 elderly or homebound persons as part of a program
24

1 commonly known as "Meals on Wheels" or "Mobile Meals",
2 or

3 b. is exempt from taxation pursuant to the provisions of
4 Section 501(c)(3) of the Internal Revenue Code, 26
5 U.S.C., Section 501(c)(3), and which receives federal
6 funding pursuant to the Older Americans Act of 1965,
7 as amended, for the purpose of providing nutrition
8 programs for the care and benefit of elderly persons;

9 14. a. Sales of tangible personal property or services made
10 before January 1, 2017, to or by organizations which
11 are exempt from taxation pursuant to the provisions of
12 Section 501(c)(3) of the Internal Revenue Code, 26
13 U.S.C., Section 501(c)(3), and:

14 (1) are primarily involved in the collection and
15 distribution of food and other household products
16 to other organizations that facilitate the
17 distribution of such products to the needy and
18 such distributee organizations are exempt from
19 taxation pursuant to the provisions of Section
20 501(c)(3) of the Internal Revenue Code, 26
21 U.S.C., Section 501(c)(3), or

22 (2) facilitate the distribution of such products to
23 the needy.
24

1 b. Sales made in the course of business for profit or
2 savings, competing with other persons engaged in the
3 same or similar business shall not be exempt under
4 this paragraph;

5 15. Sales of tangible personal property or services made before
6 January 1, 2018, to children's homes which are located on church-
7 owned property and are operated by organizations exempt from
8 taxation pursuant to the provisions of the Internal Revenue Code, 26
9 U.S.C., Section 501(c)(3);

10 16. Sales made before January 1, 2011, of computers, data
11 processing equipment, related peripherals and telephone, telegraph
12 or telecommunications service and equipment for use in a qualified
13 aircraft maintenance or manufacturing facility. For purposes of
14 this paragraph, "qualified aircraft maintenance or manufacturing
15 facility" means a new or expanding facility primarily engaged in
16 aircraft repair, building or rebuilding whether or not on a factory
17 basis, whose total cost of construction exceeds the sum of Five
18 Million Dollars (\$5,000,000.00) and which employs at least two
19 hundred fifty (250) new full-time-equivalent employees, as certified
20 by the Oklahoma Employment Security Commission, upon completion of
21 the facility. In order to qualify for the exemption provided for by
22 this paragraph, the cost of the items purchased by the qualified
23 aircraft maintenance or manufacturing facility shall equal or exceed
24 the sum of Two Million Dollars (\$2,000,000.00);

1 17. Sales made before January 1, 2012, of tangible personal
2 property consumed or incorporated in the construction or expansion
3 of a qualified aircraft maintenance or manufacturing facility as
4 defined in paragraph 16 of this section. For purposes of this
5 paragraph, sales made to a contractor or subcontractor that has
6 previously entered into a contractual relationship with a qualified
7 aircraft maintenance or manufacturing facility for construction or
8 expansion of such a facility shall be considered sales made to a
9 qualified aircraft maintenance or manufacturing facility;

10 18. Sales made before January 1, 2013, of the following
11 telecommunications services:

12 a. Interstate and International "800 service". "800
13 service" means a "telecommunications service" that
14 allows a caller to dial a toll-free number without
15 incurring a charge for the call. The service is
16 typically marketed under the name "800", "855", "866",
17 "877", and "888" toll-free calling, and any subsequent
18 numbers designated by the Federal Communications
19 Commission, or

20 b. Interstate and International "900 service". "900
21 service" means an inbound toll "telecommunications
22 service" purchased by a subscriber that allows the
23 subscriber's customers to call in to the subscriber's
24 prerecorded announcement or live service. "900

1 service" does not include the charge for: collection
2 services provided by the seller of the
3 "telecommunications services" to the subscriber, or
4 service or product sold by the subscriber to the
5 subscriber's customer. The service is typically
6 marketed under the name "900" service, and any
7 subsequent numbers designated by the Federal
8 Communications Commission,

9 c. Interstate and International "private communications
10 service". "Private communications service" means a
11 "telecommunications service" that entitles the
12 customer to exclusive or priority use of a
13 communications channel or group of channels between or
14 among termination points, regardless of the manner in
15 which such channel or channels are connected, and
16 includes switching capacity, extension lines,
17 stations, and any other associated services that are
18 provided in connection with the use of such channel or
19 channels,

20 d. "Value-added nonvoice data service". "Value-added
21 nonvoice data service" means a service that otherwise
22 meets the definition of "telecommunications services"
23 in which computer processing applications are used to
24 act on the form, content, code, or protocol of the

1 information or data primarily for a purpose other than
2 transmission, conveyance or routing,

3 e. Interstate and International telecommunications
4 service which is:

5 (1) rendered by a company for private use within its
6 organization, or

7 (2) used, allocated, or distributed by a company to
8 its affiliated group,

9 f. Regulatory assessments and charges, including charges
10 to fund the Oklahoma Universal Service Fund, the
11 Oklahoma Lifeline Fund and the Oklahoma High Cost
12 Fund, and

13 g. Telecommunications nonrecurring charges, including but
14 not limited to the installation, connection, change or
15 initiation of telecommunications services which are
16 not associated with a retail consumer sale;

17 19. Sales made before January 1, 2014, of railroad track spikes
18 manufactured and sold for use in this state in the construction or
19 repair of railroad tracks, switches, sidings and turnouts;

20 20. Sales made before January 1, 2015, of aircraft and aircraft
21 parts provided such sales occur at a qualified aircraft maintenance
22 facility. As used in this paragraph, "qualified aircraft
23 maintenance facility" means a facility operated by an air common
24 carrier at which there were employed at least two thousand (2,000)

1 full-time-equivalent employees in the preceding year as certified by
2 the Oklahoma Employment Security Commission and which is primarily
3 related to the fabrication, repair, alteration, modification,
4 refurbishing, maintenance, building or rebuilding of commercial
5 aircraft or aircraft parts used in air common carriage. For
6 purposes of this paragraph, "air common carrier" shall also include
7 members of an affiliated group as defined by Section 1504 of the
8 Internal Revenue Code, 26 U.S.C., Section 1504;

9 21. Sales made before January 1, 2016, of machinery and
10 equipment purchased and used by persons and establishments primarily
11 engaged in computer services and data processing:

12 a. as defined under Industrial Group Numbers 7372 and
13 7373 of the Standard Industrial Classification (SIC)
14 Manual, latest version, which derive at least fifty
15 percent (50%) of their annual gross revenues from the
16 sale of a product or service to an out-of-state buyer
17 or consumer, and

18 b. as defined under Industrial Group Number 7374 of the
19 SIC Manual, latest version, which derive at least
20 eighty percent (80%) of their annual gross revenues
21 from the sale of a product or service to an out-of-
22 state buyer or consumer.

23 Eligibility for the exemption set out in this paragraph shall be
24 established, subject to review by the Tax Commission, by annually

1 filing an affidavit with the Tax Commission stating that the
2 facility so qualifies and such information as required by the Tax
3 Commission. For purposes of determining whether annual gross
4 revenues are derived from sales to out-of-state buyers or consumers,
5 all sales to the federal government shall be considered to be to an
6 out-of-state buyer or consumer;

7 22. Sales made before January 1, 2017, of prosthetic devices to
8 an individual for use by such individual. For purposes of this
9 paragraph, "prosthetic device" shall have the same meaning as
10 provided in Section 1357.6 of this title, but shall not include
11 corrective eye glasses, contact lenses or hearing aids;

12 23. Sales of tangible personal property or services to a motion
13 picture or television production company to be used or consumed in
14 connection with an eligible production. For purposes of this
15 paragraph, "eligible production" means a documentary, special, music
16 video, or a television commercial or television program that will
17 serve as a pilot for or be a segment of an ongoing dramatic or
18 situation comedy series filmed or taped for network or national or
19 regional syndication or a feature-length motion picture intended for
20 theatrical release or for network or national or regional
21 syndication or broadcast. The provisions of this paragraph shall
22 apply to sales occurring on or after July 1, 1996, and before
23 January 1, 2018. In order to qualify for the exemption, the motion
24 picture or television production company shall file any

1 documentation and information required to be submitted pursuant to
2 rules promulgated by the Tax Commission;

3 24. Sales of diesel fuel sold before January 1, 2011, for
4 consumption by commercial vessels, barges and other commercial
5 watercraft;

6 25. Sales of tangible personal property or services made before
7 January 1, 2012, to tax-exempt independent nonprofit biomedical
8 research foundations that provide educational programs for Oklahoma
9 science students and teachers and to tax-exempt independent
10 nonprofit community blood banks headquartered in this state;

11 26. ~~Effective~~ On or after May 6, 1992, and before January 1,
12 2013, sales of wireless telecommunications equipment to a vendor who
13 subsequently transfers the equipment at no charge or for a
14 discounted charge to a consumer as part of a promotional package or
15 as an inducement to commence or continue a contract for wireless
16 telecommunications services;

17 27. ~~Effective~~ On or after January 1, 1991, and before January
18 1, 2014, leases of rail transportation cars to haul coal to coal-
19 fired plants located in this state which generate electric power;

20 28. ~~Beginning~~ On or after July 1, 2005, and before January 1,
21 2015, sales of aircraft engine repairs, modification, and
22 replacement parts, sales of aircraft frame repairs and modification,
23 aircraft interior modification, and paint, and sales of services
24 employed in the repair, modification and replacement of parts of

1 aircraft engines, aircraft frame and interior repair and
2 modification, and paint;

3 29. Sales of materials and supplies before January 1, 2016, to
4 the owner or operator of a ship, motor vessel or barge that is used
5 in interstate or international commerce if the materials and
6 supplies:

7 a. are loaded on the ship, motor vessel or barge and used
8 in the maintenance and operation of the ship, motor
9 vessel or barge, or

10 b. enter into and become component parts of the ship,
11 motor vessel or barge;

12 30. Sales of tangible personal property made before January 1,
13 2017, at estate sales at which such property is offered for sale on
14 the premises of the former residence of the decedent by a person who
15 is not required to be licensed pursuant to the Transient Merchant
16 Licensing Act, or who is not otherwise required to obtain a sales
17 tax permit for the sale of such property pursuant to the provisions
18 of Section 1364 of this title; provided:

19 a. such sale or event may not be held for a period
20 exceeding three (3) consecutive days,

21 b. the sale must be conducted within six (6) months of
22 the date of death of the decedent, and
23
24

1 c. the exemption allowed by this paragraph shall not be
2 allowed for property that was not part of the
3 decedent's estate;

4 31. ~~Beginning~~ On or after January 1, 2004, and before January
5 1, 2018, sales of electricity and associated delivery and
6 transmission services, when sold exclusively for use by an oil and
7 gas operator for reservoir dewatering projects and associated
8 operations commencing on or after July 1, 2003, in which the initial
9 water-to-oil ratio is greater than or equal to five-to-one water-to-
10 oil, and such oil and gas development projects have been classified
11 by the Corporation Commission as a reservoir dewatering unit;

12 32. Sales of prewritten computer software before January 1,
13 2011, that is delivered electronically. For purposes of this
14 paragraph, "delivered electronically" means delivered to the
15 purchaser by means other than tangible storage media;

16 33. Sales of modular dwelling units before January 1, 2012,
17 when built at a production facility and moved in whole or in parts,
18 to be assembled on-site, and permanently affixed to the real
19 property and used for residential or commercial purposes. The
20 exemption provided by this paragraph shall equal forty-five percent
21 (45%) of the total sales price of the modular dwelling unit. For
22 purposes of this paragraph, "modular dwelling unit" means a
23 structure that is not subject to the motor vehicle excise tax
24 imposed pursuant to Section 2103 of this title;

1 34. Sales of tangible personal property or services to persons
2 who are residents of Oklahoma and have been honorably discharged
3 from active service in any branch of the Armed Forces of the United
4 States or Oklahoma National Guard and who have been certified by the
5 United States Department of Veterans Affairs or its successor to be
6 in receipt of disability compensation at the one-hundred-percent
7 rate and the disability shall be permanent and have been sustained
8 through military action or accident or resulting from disease
9 contracted while in such active service; provided, sales for the
10 benefit of the person to a spouse of the eligible person or to a
11 member of the household in which the eligible person resides and who
12 is authorized to make purchases on the person's behalf, when such
13 eligible person is not present at the sale, shall also be exempt for
14 purposes of this paragraph. Sales qualifying for the exemption
15 authorized by this paragraph shall not exceed Twenty-five Thousand
16 Dollars (\$25,000.00) per year per individual. Upon request of the
17 Tax Commission, a person asserting or claiming the exemption
18 authorized by this paragraph shall provide a statement, executed
19 under oath, that the total sales amounts for which the exemption is
20 applicable have not exceeded Twenty-five Thousand Dollars
21 (\$25,000.00) per year. If the amount of such exempt sales exceeds
22 such amount, the sales tax in excess of the authorized amount shall
23 be treated as a direct sales tax liability and may be recovered by
24

1 the Tax Commission in the same manner provided by law for other
2 taxes, including penalty and interest;

3 35. Sales of electricity before January 1, 2013, to the
4 operator, specifically designated by the Oklahoma Corporation
5 Commission, of a spacing unit or lease from which oil is produced or
6 attempted to be produced using enhanced recovery methods, including,
7 but not limited to, increased pressure in a producing formation
8 through the use of water or saltwater if the electrical usage is
9 associated with and necessary for the operation of equipment
10 required to inject or circulate fluids in a producing formation for
11 the purpose of forcing oil or petroleum into a wellbore for eventual
12 recovery and production from the wellhead. In order to be eligible
13 for the sales tax exemption authorized by this paragraph, the total
14 content of oil recovered after the use of enhanced recovery methods
15 shall not exceed one percent (1%) by volume. The exemption
16 authorized by this paragraph shall be applicable only to the state
17 sales tax rate and shall not be applicable to any county or
18 municipal sales tax rate;

19 36. Sales made before January 1, 2014, of intrastate charter
20 and tour bus transportation. As used in this paragraph, "intrastate
21 charter and tour bus transportation" means the transportation of
22 persons from one location in this state to another location in this
23 state in a motor vehicle which has been constructed in such a manner
24 that it may lawfully carry more than eighteen persons, and which is

1 ordinarily used or rented to carry persons for compensation.

2 Provided, this exemption shall not apply to regularly scheduled bus
3 transportation for the general public;

4 37. Sales of vitamins, minerals and dietary supplements made
5 before January 1, 2015, by a licensed chiropractor to a person who
6 is the patient of such chiropractor at the physical location where
7 the chiropractor provides chiropractic care or services to such
8 patient. The provisions of this paragraph shall not be applicable
9 to any drug, medicine or substance for which a prescription by a
10 licensed physician is required;

11 38. Sales of goods, wares, merchandise, tangible personal
12 property, machinery and equipment made before January 1, 2016, to a
13 web search portal located in this state which derives at least
14 eighty percent (80%) of its annual gross revenue from the sale of a
15 product or service to an out-of-state buyer or consumer. For
16 purposes of this paragraph, "web search portal" means an
17 establishment classified under NAICS code 518112 which operates web
18 sites that use a search engine to generate and maintain extensive
19 databases of Internet addresses and content in an easily searchable
20 format;

21 39. Sales made before January 1, 2017, of tangible personal
22 property consumed or incorporated in the construction or expansion
23 of a facility for a corporation organized under Section 437 et seq.
24 of Title 18 of the Oklahoma Statutes as a rural electric

1 cooperative. For purposes of this paragraph, sales made to a
2 contractor or subcontractor that has previously entered into a
3 contractual relationship with a rural electric cooperative for
4 construction or expansion of a facility shall be considered sales
5 made to a rural electric cooperative; and

6 40. Sales of tangible personal property or services made before
7 January 1, 2018, to a business primarily engaged in the repair of
8 consumer electronic goods, including, but not limited to, cell
9 phones, compact disc players, personal computers, MP3 players,
10 digital devices for the storage and retrieval of information through
11 hard-wired or wireless computer or Internet connections, if the
12 devices are sold to the business by the original manufacturer of
13 such devices and the devices are repaired, refitted or refurbished
14 for sale by the entity qualifying for the exemption authorized by
15 this paragraph directly to retail consumers or if the devices are
16 sold to another business entity for sale to retail consumers.

17 SECTION 47. AMENDATORY 68 O.S. 2001, Section 1357.7, is
18 amended to read as follows:

19 Section 1357.7 There are hereby specifically exempted from the
20 tax levied by this article, sales of horses after January 1, 1989,
21 and before January 1, 2011.

22 SECTION 48. AMENDATORY Section 1, Chapter 462, O.S.L.
23 2003 (68 O.S. Supp. 2007, Section 1357.9), is amended to read as
24 follows:

1 Section 1357.9 A. ~~There~~ Until January 1, 2012, there are
2 exempt from the taxes imposed by Section ~~1351~~ 1350 et seq. of Title
3 ~~68 of the Oklahoma Statutes~~ this title service transactions among
4 related entities.

5 B. For purposes of this section, "related entity" includes
6 persons as defined by subsection (b) of Section 267 of the Internal
7 Revenue Code.

8 C. An exemption authorized by this section does not apply to a
9 service that would have been taxable under Section ~~1351~~ 1350 et seq.
10 of ~~Title 68 of the Oklahoma Statutes~~ this title as it existed on
11 July 1, 2003.

12 D. Services that are exempt under this section may not be
13 purchased for resale by the providing company.

14 E. Tangible personal property that is transferred as an
15 integral part of a service exempted under this section may not be
16 purchased for resale by the providing company.

17 SECTION 49. AMENDATORY Section 3, Chapter 136, O.S.L.
18 2007 (68 O.S. Supp. 2007, Section 1357.10), is amended to read as
19 follows:

20 Section 1357.10 A. ~~The~~ Before January 1, 2013, the sale of an
21 article of clothing or footwear designed to be worn on or about the
22 human body shall be exempt from the tax imposed by Section 1354 of
23 ~~Title 68 of the Oklahoma Statutes~~ this title if:

24

1 1. The sales price of the article is less than One Hundred
2 Dollars (\$100.00); and

3 2. The sale takes place during a period beginning at 12:01 a.m.
4 on the first Friday in August and ending at 12 midnight on the
5 following Sunday, covering a period of three (3) days.

6 B. Subsection A of this section shall not apply to:

7 1. Any special clothing or footwear that is primarily designed
8 for athletic activity or protective use and that is not normally
9 worn except when used for athletic activity or protective use for
10 which it is designed;

11 2. Accessories, including jewelry, handbags, luggage,
12 umbrellas, wallets, watches, and similar items carried on or about
13 the human body, without regard to whether worn on the body in a
14 manner characteristic of clothing; and

15 3. The rental of clothing or footwear.

16 C. The Oklahoma Tax Commission shall promulgate any necessary
17 rules to implement the provisions of this section.

18 SECTION 50. AMENDATORY 68 O.S. 2001, Section 1358 is
19 amended to read as follows:

20 Section 1358. Exemptions - Agriculture.

21 A. There are hereby specifically exempted from the tax levied
22 by Section 1350 et seq. of this title:

23 1. Sales made before January 1, 2014, of agricultural products
24 produced in this state by the producer thereof directly to the

1 consumer or user when such articles are sold at or from a farm and
2 not from some other place of business, as follows:

- 3 a. farm, orchard or garden products, and
- 4 b. dairy products sold by a dairy producer or farmer who
5 owns all the cows from which the dairy products
6 offered for sale are produced;

7 provided, the provisions of this paragraph shall not be construed as
8 exempting sales by florists, nursery operators or chicken
9 hatcheries, or sales of dairy products by any other business except
10 as set out herein;

11 2. Livestock, including cattle, horses, mules or other domestic
12 or draft animals, sold before January 1, 2015, by the producer by
13 private treaty or at a special livestock sale;

14 3. ~~Sale~~ Sales made before January 1, 2016, of baby chicks,
15 turkey poults and starter pullets used in the commercial production
16 of chickens, turkeys and eggs, provided that the purchaser
17 certifies, in writing, on the copy of the invoice or sales ticket to
18 be retained by the vendor that the pullets will be used primarily
19 for egg production;

20 4. ~~Sale~~ Sales made before January 1, 2017, of salt, grains,
21 tankage, oyster shells, mineral supplements, limestone and other
22 generally recognized animal feeds for the following purposes and
23 subject to the following limitations:
24

- 1 a. feed which is fed to poultry and livestock, including
2 breeding stock and wool-bearing stock, for the purpose
3 of producing eggs, poultry, milk or meat for human
4 consumption,
- 5 b. feed purchased in Oklahoma for the purpose of being
6 fed to and which is fed by the purchaser to horses,
7 mules or other domestic or draft animals used directly
8 in the producing and marketing of agricultural
9 products, and
- 10 c. any stock tonics, water purifying products, stock
11 sprays, disinfectants or other such agricultural
12 supplies.

13 "Poultry" shall not be construed to include any fowl other than
14 domestic fowl kept and raised for the market or production of eggs.
15 "Livestock" shall not be construed to include any pet animals such
16 as dogs, cats, birds or such other fur-bearing animals. This
17 exemption shall only be granted and extended where the purchaser of
18 feed that is to be used and in fact is used for a purpose that would
19 bring about an exemption hereunder executes an invoice or sales
20 ticket in duplicate on a form to be prescribed by the Oklahoma Tax
21 Commission. The purchaser may demand and receive a copy of the
22 invoice or sales ticket and the vendor shall retain a copy;

1 5. Sales made before January 1, 2018, of items to be and in
2 fact used in the production of agricultural products. Sale of the
3 following items shall be subject to the following limitations:

4 a. sales of agricultural fertilizer to any person
5 regularly engaged, for profit, in the business of
6 farming or ranching,

7 b. sales of agricultural fertilizer to any person engaged
8 in the business of applying such materials on a
9 contract or custom basis to land owned or leased and
10 operated by persons regularly engaged, for profit, in
11 the business of farming or ranching. In addition to
12 providing the vendor proof of eligibility as provided
13 in Section 1358.1 of this title, the purchaser shall
14 provide the name or names of such owner or lessee and
15 operator and the location of the lands on which said
16 materials are to be applied to each such land,

17 c. sales of agricultural fertilizer, pharmaceuticals and
18 biologicals to persons engaged in the business of
19 applying such materials on a contract or custom basis
20 shall not be considered to be sales to contractors
21 under this article, and said sales shall not be
22 considered to be taxable sales within the meaning of
23 the Oklahoma Sales Tax Code. As used in this section,
24 "agricultural fertilizer", "pharmaceuticals" and

1 "biologicals" mean any substance sold and used for
2 soil enrichment or soil corrective purposes or for
3 promoting the growth and productivity of plants or
4 animals,

5 d. sales of agricultural seed or plants to any person
6 regularly engaged, for profit, in the business of
7 farming or ranching. This section shall not be
8 construed as exempting from sales tax, seed which is
9 packaged and sold for use in noncommercial flower and
10 vegetable gardens, and

11 e. sales of agricultural chemical pesticides to any
12 person regularly engaged, for profit, in the business
13 of farming or ranching. For the purposes of this
14 subparagraph, "agricultural chemical pesticides" shall
15 include any substance or mixture of substances
16 intended for preventing, destroying, repelling or
17 mitigating any insect, snail, slug, rodent, bird,
18 nematode, fungus, weed or any other form of
19 terrestrial or aquatic plant or animal life or virus,
20 bacteria or other microorganism, except viruses,
21 bacteria or other microorganisms on or in living man,
22 or any substance or mixture of substances intended for
23 use as a plant regulator, defoliant or desiccant.
24

1 The exemption provided in this paragraph shall only be granted
2 and extended to the purchaser where the items are to be used and in
3 fact are used in the production of agricultural products;

4 6. Sale Sales made before January 1, 2011, of farm machinery,
5 repair parts thereto or fuel, oil, lubricants and other substances
6 used for operation and maintenance of the farm machinery to be used
7 directly on a farm or ranch in the production, cultivation,
8 planting, sowing, harvesting, processing, spraying, preservation or
9 irrigation of any livestock, poultry, agricultural or dairy products
10 produced from such lands. The exemption specified in this paragraph
11 shall apply to such farm machinery, repair parts or fuel, oil,
12 lubricants and other substances used by persons engaged in the
13 business of custom production, cultivation, planting, sowing,
14 harvesting, processing, spraying, preservation, or irrigation of any
15 livestock, poultry, agricultural, or dairy products for farmers or
16 ranchers. The exemption provided for herein shall not apply to
17 motor vehicles;

18 7. Sales of supplies, machinery and equipment made before
19 January 1, 2012, to persons regularly engaged in the business of
20 raising evergreen trees for retail sale in which such trees are cut
21 down on the premises by the consumer purchasing such tree. This
22 exemption shall only be granted and extended when the items in fact
23 are used in the raising of such evergreen trees; and
24

1 8. Sales of materials, supplies and equipment made before
2 January 1, 2013, to an agricultural permit holder or to any person
3 with whom the permit holder has contracted to construct facilities
4 which are or which will be used directly in the production of any
5 livestock, including, but not limited to, facilities used in the
6 production and storage of feed for livestock owned by the permit
7 holder. Any person making purchases on behalf of the agricultural
8 permit holder shall certify, in writing, on the copy of the invoice
9 or sales ticket to be retained by the vendor that the purchases are
10 made for and on behalf of such permit holder and set out the name
11 and permit number of such holder. Any person who wrongfully or
12 erroneously certifies that purchases are for an agricultural permit
13 holder or who otherwise violates this subsection shall be guilty of
14 a misdemeanor and upon conviction thereof shall be punishable by a
15 fine of an amount equal to double the amount of sales tax involved
16 or imprisonment in the county jail for not more than sixty (60) days
17 or by both such fine and imprisonment.

18 B. As used in this section and Section 1358.1 of this title:

- 19 1. "Agricultural products" shall include horses; and
20 2. "Ranching" or "ranch" shall include the business, or
21 facilities for the business, of raising horses.

22 Provided, sales of items at race meetings as defined in Section
23 200.1 of Title 3A of the Oklahoma Statutes shall not be exempt
24

1 pursuant to the provisions of this section and Section 1358.1 of
2 this title.

3 SECTION 51. AMENDATORY 68 O.S. 2001, Section 1359, as
4 last amended by Section 8, Chapter 44, 2nd Extraordinary Session,
5 O.S.L. 2006 (68 O.S. Supp. 2007, Section 1359), is amended to read
6 as follows:

7 Section 1359. Exemptions - Manufacturing.

8 There are hereby specifically exempted from the tax levied by
9 Section 1350 et seq. of this title:

10 1. Sales of goods, wares, merchandise, tangible personal
11 property, machinery and equipment made before January 1, 2014, to a
12 manufacturer for use in a manufacturing operation. Goods, wares,
13 merchandise, property, machinery and equipment used in a
14 nonmanufacturing activity or process as set forth in paragraph 9 of
15 Section 1352 of this title shall not be eligible for the exemption
16 provided for in this subsection by virtue of the activity or process
17 being performed in conjunction with or integrated into a
18 manufacturing operation;

19 2. Ethyl alcohol when sold before January 1, 2015, and used for
20 the purpose of blending same with motor fuel on which motor fuel tax
21 is levied by Section 500.4 of this title;

22 3. Sales of containers when sold before January 1, 2016, to a
23 person regularly engaged in the business of reselling empty or
24 filled containers or when purchased for the purpose of packaging raw

1 products of farm, garden, or orchard for resale to the consumer or
2 processor. This exemption shall not apply to the sale of any
3 containers used more than once and which are ordinarily known as
4 returnable containers, except returnable soft drink bottles and the
5 cartons, crates, pallets, and containers used to transport
6 returnable soft drink bottles. Each and every transfer of title or
7 possession of such returnable containers in this state to any person
8 who is not regularly engaged in the business of selling, reselling
9 or otherwise transferring empty or filled containers shall be
10 taxable under this Code. Additionally, this exemption shall not
11 apply to the sale of labels or other materials delivered along with
12 items sold but which are not necessary or absolutely essential to
13 the sale of the sold merchandise;

14 4. Sales of or transfers of title to or possession of any
15 containers, after June 30, 1987, and before January 1, 2017, used or
16 to be used more than once and which are ordinarily known as
17 returnable containers and which do or will contain beverages defined
18 by paragraphs 4 and 14 of Section 506 of Title 37 of the Oklahoma
19 Statutes, or water for human consumption and the cartons, crates,
20 pallets, and containers used to transport such returnable
21 containers;

22 5. Sale of tangible personal property when sold before January
23 1, 2018, by the manufacturer to a person who transports it to a
24 state other than Oklahoma for immediate and exclusive use in a state

1 other than Oklahoma. Provided, no sales at a retail outlet shall
2 qualify for the exemption under this paragraph;

3 6. ~~Machinery~~ Before January 1, 2011, the sale of machinery,
4 equipment, fuels and chemicals or other materials incorporated into
5 and directly used or consumed in the process of treatment to
6 substantially reduce the volume or harmful properties of hazardous
7 waste at treatment facilities specifically permitted pursuant to the
8 Oklahoma Hazardous Waste Management Act and operated at the place of
9 waste generation, or facilities approved by the Department of
10 Environmental Quality for the cleanup of a site of contamination.
11 The term "hazardous" waste may include low-level radioactive waste
12 for the purpose of this paragraph;

13 7. Except as otherwise provided by subsection I of Section 3658
14 of this title pursuant to which the exemption authorized by this
15 paragraph may not be claimed, sales of tangible personal property
16 before January 1, 2012, to a qualified manufacturer or distributor
17 to be consumed or incorporated in a new manufacturing or
18 distribution facility or to expand an existing manufacturing or
19 distribution facility. For purposes of this paragraph, sales made
20 to a contractor or subcontractor that has previously entered into a
21 contractual relationship with a qualified manufacturer or
22 distributor for construction or expansion of a manufacturing or
23 distribution facility shall be considered sales made to a qualified

24

1 manufacturer or distributor. For the purposes of this paragraph,

2 "qualified manufacturer or distributor" means:

3 a. any manufacturing enterprise whose total cost of
4 construction of a new or expanded facility exceeds the
5 sum of Five Million Dollars (\$5,000,000.00) and in
6 which at least one hundred (100) new full-time-
7 equivalent employees, as certified by the Oklahoma
8 Employment Security Commission, are added and
9 maintained for a period of at least thirty-six (36)
10 months as a direct result of the new or expanded
11 facility,

12 b. any manufacturing enterprise whose total cost of
13 construction of a new or expanded facility exceeds the
14 sum of Ten Million Dollars (\$10,000,000.00) and the
15 combined cost of construction material, machinery,
16 equipment and other tangible personal property exempt
17 from sales tax under the provisions of this paragraph
18 exceeds the sum of Fifty Million Dollars
19 (\$50,000,000.00) and in which at least seventy-five
20 (75) new full-time-equivalent employees, as certified
21 by the Oklahoma Employment Security Commission, are
22 added and maintained for a period of at least thirty-
23 six (36) months as a direct result of the new or
24 expanded facility,

- 1 c. any manufacturing enterprise whose total cost of
2 construction of an expanded facility exceeds the sum
3 of Three Hundred Million Dollars (\$300,000,000.00) and
4 in which the manufacturer has and maintains an average
5 employment level of at least one thousand seven
6 hundred fifty (1,750) full-time-equivalent employees,
7 as certified by the Employment Security Commission, or
8 d. any enterprise primarily engaged in the general
9 wholesale distribution of groceries defined or
10 classified in the North American Industry
11 Classification System (NAICS) Manual under Industry
12 Groups No. 4244 and 4245 and which has at least
13 seventy-five percent (75%) of its total sales to in-
14 state customers or buyers and whose total cost of
15 construction of a new or expanded facility exceeds the
16 sum of Forty Million Dollars (\$40,000,000.00) with
17 such construction commencing on or after July 1, 2005,
18 and before December 31, 2005, and which at least fifty
19 new full-time-equivalent employees, as certified by
20 the Oklahoma Employment Security Commission, are added
21 and maintained for a period of at least thirty-six
22 (36) months as a direct result of the new or expanded
23 facility.

1 For purposes of this paragraph, the total cost of construction
2 shall include building and construction material and engineering and
3 architectural fees or charges directly associated with the
4 construction of a new or expanded facility. The total cost of
5 construction shall not include attorney fees. For purposes of
6 subparagraph c of this paragraph, the total cost of construction
7 shall also include the cost of qualified depreciable property as
8 defined in Section 2357.4 of this title and labor services performed
9 in the construction of an expanded facility. For the purpose of
10 subparagraph d of this paragraph, the total cost of construction
11 shall also include the cost of all parking, security and dock
12 structures or facilities necessary to manage, process or secure
13 vehicles used to receive and/or distribute groceries through such a
14 facility. The employment requirement of this paragraph can be
15 satisfied by the employment of a portion of the required number of
16 new full-time-equivalent employees at a manufacturing or
17 distribution facility that is related to or supported by the new or
18 expanded manufacturing or distribution facility as long as both
19 facilities are owned by one person or business entity. For purposes
20 of this section, "manufacturing facility" shall mean building and
21 land improvements used in manufacturing as defined in Section 1352
22 of this title and shall also mean building and land improvements
23 used for the purpose of packing, repackaging, labeling or assembling
24 for distribution to market, products at least seventy percent (70%)

1 of which are made in Oklahoma by the same company but at an off-
2 site, in-state manufacturing or distribution facility or facilities.
3 It shall not include a retail outlet unless the retail outlet is
4 operated in conjunction with and on the same site or premises as the
5 manufacturing facility. Up to ten percent (10%) of the square feet
6 of a manufacturing or distribution facility building may be devoted
7 to office space used to provide clerical support for the
8 manufacturing operation. Such ten percent (10%) may be in a
9 separate building as long as it is part of the same contiguous tract
10 of property on which the manufacturing or distribution facility is
11 located. Only sales of tangible personal property made after June
12 1, 1988, and before January 1, 2013, shall be eligible for the
13 exemption provided by this paragraph. The exemption authorized
14 pursuant to subparagraph d of this paragraph shall only become
15 effective when the governing body of the municipality in which the
16 enterprise is located approves a resolution expressing the
17 municipality's support for the construction for such new or expanded
18 facility. Upon approval by the municipality, the municipality shall
19 forward a copy of such resolution to the Oklahoma Tax Commission;

20 8. Sales before January 1, 2014, of tangible personal property
21 purchased and used by a licensed radio or television station in
22 broadcasting. This exemption shall not apply unless such machinery
23 and equipment is used directly in the manufacturing process, is
24 necessary for the proper production of a broadcast signal or is such

1 that the failure of the machinery or equipment to operate would
2 cause broadcasting to cease. This exemption begins with the
3 equipment used in producing live programming or the electronic
4 equipment directly behind the satellite receiving dish or antenna,
5 and ends with the transmission of the broadcast signal from the
6 broadcast antenna system. For purposes of this paragraph, "proper
7 production" shall include, but not be limited to, machinery or
8 equipment required by Federal Communications Commission rules and
9 regulations;

10 9. Sales before January 1, 2015, of tangible personal property
11 purchased or used by a licensed cable television operator in
12 cablecasting. This exemption shall not apply unless such machinery
13 and equipment is used directly in the manufacturing process, is
14 necessary for the proper production of a cablecast signal or is such
15 that the failure of the machinery or equipment to operate would
16 cause cablecasting to cease. This exemption begins with the
17 equipment used in producing local programming or the electronic
18 equipment behind the satellite receiving dish, microwave tower or
19 antenna, and ends with the transmission of the signal from the
20 cablecast head-end system. For purposes of this paragraph, "proper
21 production" shall include, but not be limited to, machinery or
22 equipment required by Federal Communications Commission rules and
23 regulations;

24

1 10. Sales of packaging materials before January 1, 2016, for
2 use in packing, shipping or delivering tangible personal property
3 for sale when sold to a producer of agricultural products. This
4 exemption shall not apply to the sale of any packaging material
5 which is ordinarily known as a returnable container;

6 11. Sales before January 1, 2017, of any pattern used in the
7 process of manufacturing iron, steel or other metal castings. The
8 exemption provided by this paragraph shall be applicable
9 irrespective of ownership of the pattern provided that such pattern
10 is used in the commercial production of metal castings;

11 12. Deposits or other charges made before January 1, 2018, and
12 which are subsequently refunded for returnable cartons, crates,
13 pallets, and containers used to transport cement and cement
14 products;

15 13. ~~Beginning~~ On or after January 1, 1998, and before January
16 1, 2011, machinery, electricity, fuels, explosives and materials,
17 excluding chemicals, used in the mining of coal in this state;

18 14. Deposits, rent or other charges made before January 1,
19 2012, for returnable cartons, crates, pallets, and containers used
20 to transport mushrooms or mushroom products from a farm for resale
21 to the consumer or processor; and

22 15. Sales made before January 1, 2013, of tangible personal
23 property and services used or consumed in all phases of the
24 extraction and manufacturing of crushed stone and sand, including

1 but not limited to site preparation, dredging, overburden removal,
2 explosive placement and detonation, onsite material hauling and/or
3 transfer, material washing, screening and/or crushing, product
4 weighing and site reclamation.

5 SECTION 52. AMENDATORY 68 O.S. 2001, Section 1360, as
6 amended by Section 1, Chapter 346, O.S.L. 2007 (68 O.S. Supp. 2007,
7 Section 1360), is amended to read as follows:

8 Section 1360. Exemptions - Corporations - Partnerships.

9 There are hereby specifically exempted from the tax levied in
10 this article:

11 1. The transfer of tangible personal property, made before
12 January 1, 2014, as follows:

13 a. from one corporation to another corporation pursuant
14 to a reorganization. As used in this subparagraph the
15 term "reorganization" means a statutory merger or
16 consolidation or the acquisition by a corporation of
17 substantially all of the properties of another
18 corporation when the consideration is solely all or a
19 part of the voting stock of the acquiring corporation,
20 or of its parent or subsidiary corporation,

21 b. in connection with the winding up, dissolution or
22 liquidation of a corporation only when there is a
23 distribution in kind to the shareholders of the
24 property of such corporation,

1 c. to a corporation for the purpose of organization of
2 such corporation where the former owners of the
3 property transferred are immediately after the
4 transfer in control of the corporation, and the value
5 of the stock or securities received by each is
6 substantially in proportion to the value of such
7 person's interest in the property transferred by all
8 the former owners,

9 d. to a partnership in the organization of such
10 partnership if the former owners of the property
11 transferred are, immediately after the transfer,
12 members of such partnership and the value of the
13 interest in the partnership, received by each, is
14 substantially in proportion to the value of such
15 person's interest in the property transferred by all
16 former owners,

17 e. from a partnership to the members thereof when made in
18 kind in the dissolution of such partnership,

19 f. to a limited liability company in the organization of
20 the limited liability company if the former owners of
21 the property transferred are, immediately after the
22 transfer, members of the limited liability company and
23 the value of the interest in the limited liability
24 company received by each is substantially in

1 proportion to the value of the interest in the
2 property transferred by all the former owners, and
3 g. from a limited liability company to the members
4 thereof when made in kind in the dissolution of the
5 limited liability company; and

6 2. Sale of an interest in tangible personal property to a
7 partner or other person who after such sale owns a joint interest in
8 such tangible personal property where the Oklahoma Sales or Use Tax
9 has previously been paid on such tangible personal property.

10 SECTION 53. AMENDATORY 68 O.S. 2001, Section 1404, is
11 amended to read as follows:

12 Section 1404. The provisions of Section 1401 et seq. of this
13 title shall not apply:

14 1. In respect to the use of any article of tangible personal
15 property brought into the State of Oklahoma by a nonresident
16 individual, visiting in this state, for his or her personal use or
17 enjoyment, while within the state;

18 2. In respect to the use of tangible personal property
19 purchased for resale before being used;

20 3. In respect to the use of any article of tangible personal
21 property on which a tax, equal to or in excess of that levied by
22 Section 1401 et seq. of this title, has been paid by the person
23 using such tangible personal property in this state, whether such
24 tax was levied under the laws of this state or some other state of

1 the United States. If any article of tangible personal property has
2 already been subjected to a tax, by this or any other state, in
3 respect to its sale or use, in an amount less than the tax imposed
4 by Section 1401 et seq. of this title, the provisions of Section
5 1401 et seq. of this title shall apply to it by a rate measured by
6 the difference only between the rate herein provided and the rate by
7 which the previous tax upon the sale or use was computed. Provided,
8 that no credit shall be given for taxes paid in another state, if
9 that state does not grant like credit for taxes paid in Oklahoma;

10 4. In respect to the use of tangible personal property now
11 specifically exempted from taxation under Oklahoma Sales Tax Code;

12 5. In respect to the use of any article or tangible personal
13 property brought into the state by an individual with intent to
14 become a resident of this state where such personal property is for
15 such individual's personal use or enjoyment;

16 6. ~~In~~ Before January 1, 2015, in respect to the use of any
17 article of tangible personal property used or to be used by
18 commercial airlines or railroads;

19 7. ~~In~~ Before January 1, 2016, in respect to livestock purchased
20 outside this state and brought into this state for feeding or
21 breeding purposes, and which is later resold; and

22 8. ~~Effective~~ On or after January 1, 1991, and before January 1,
23 2017, in respect to the use of rail transportation cars to haul coal

24

1 to coal-fired plants located in this state which generate electric
2 power.

3 SECTION 54. AMENDATORY 68 O.S. 2001, Section 54003, is
4 amended to read as follows:

5 Section 54003. A. There are hereby specifically exempted from
6 the taxes levied by Section 1354 and Section 1402 of ~~Title 68 of the~~
7 ~~Oklahoma Statutes~~ this title sales made before January 1, 2018, of
8 qualified purchases to a qualified purchaser which is primarily
9 engaged in computer services and data processing as defined under
10 Industrial Group Numbers 7372, 7373, 7374 and 7375 of the SIC
11 Manual, latest revision, or a qualified purchaser which is primarily
12 engaged in research and development as defined under Industrial
13 Group Numbers 8731, 8732, 8733 and 8734 of the SIC Manual, latest
14 revision.

15 B. A qualified purchaser which is primarily engaged in computer
16 services and data processing as defined under Industrial Group
17 Number 7374 of the SIC Manual, latest revision, shall be required to
18 have a minimum of One Hundred Thousand Dollars (\$100,000.00) in
19 qualified purchases in order to be eligible to receive the exemption
20 provided for in this section.

21 C. In order to be eligible to receive the exemption provided
22 for in this section, a new or expanding business shall not include
23 the existing employee positions of any business enterprise that is
24 directly or beneficially owned by a corporation, trust, joint

1 venture, proprietorship, or partnership doing business in this state
2 as of January 1, 1992.

3 D. Eligibility to receive the exemption provided for in this
4 subsection pursuant to the requirement to derive fifty percent (50%)
5 of revenues from out-of-state buyers or consumers and pursuant to
6 the requirement that the business be primarily engaged in computer
7 services and data processing or in research and development shall be
8 established, subject to review by the Oklahoma Tax Commission, by
9 annually filing an affidavit with the Oklahoma Tax Commission
10 stating that the business so qualifies and such other information as
11 required by the Commission. For purposes of determining whether
12 annual gross revenues are derived from sales to out-of-state buyers
13 or consumers, all sales to the federal government shall be
14 considered to be sales to an out-of-state buyer or consumer.

15 SECTION 55. This act shall become effective November 1, 2010.

16

17 51-2-2227 JCR 1/22/2008 6:05:25 PM

18

19

20

21

22

23

24