

1 STATE OF OKLAHOMA

2 2nd Session of the 52nd Legislature (2010)

3 HOUSE BILL 2686

By: Morrissette

4  
5  
6 AS INTRODUCED

7 An Act relating to cedar trees; creating the Eastern  
8 Red Cedar Initiative Act of 2010; enacting the  
9 Eastern Red Cedar Registry Board Act; stating  
10 legislative intent; creating the Eastern Red Cedar  
11 Registry Board; providing membership, appointments  
12 and terms; creating the Eastern Red Cedar Registry;  
13 stating duties of the Board; providing for election  
14 of a chair and meeting; requiring an annual report;  
15 directing the Oklahoma Department of Agriculture,  
16 Food, and Forestry and other state agencies to  
17 provide support and assistance to the Board;  
18 authorizing the donation of Eastern Red Cedars from  
19 public land to certain harvesters; providing for the  
20 Board to issue permits for harvesting trees on state-  
21 owned land; creating the Eastern Red Cedar Revolving  
22 Fund; making the fund a continuing fund; providing  
23 for source of monies; stating purpose of funds;  
24 requiring payments to be made on warrants; allowing  
taxpayers to designate contributions to the Eastern  
Red Cedar Revolving Fund on income tax forms;  
specifying impact of contribution on tax liability;  
directing the Oklahoma Tax Commission to include  
opportunity for contributions; providing for  
instructions; providing for reduction of tax refunds;  
directing the State Treasurer to credit certain  
amount to the Revolving Fund; providing for payment  
of incremental costs; amending Section 14, Chapter  
504, O.S.L. 2004, as last amended by Section 3,  
Chapter 311, O.S.L. 2009 (47 O.S. Supp. 2009, Section  
1135.5), which relates to special license plates;  
creating the Remove the Eastern Red Cedar License  
Plate; providing for design and purpose; providing  
for deposit of certain amount in the Eastern Red  
Cedar Revolving Fund; limiting expenditure of the  
monies; amending 68 O.S. 2001, Section 1357, as last

1 amended by Section 26, Chapter 2, O.S.L. 2009 (68  
2 O.S. Supp. 2009, Section 1357), which relates to  
3 exemptions from sales tax; providing an exemption for  
4 the sale of products derived from Eastern Red Cedar  
5 trees; providing termination date for certain persons  
6 or entities; providing definitions; allowing an  
7 income tax credit for the donation of Eastern Red  
8 Cedar trees; limiting credit; prohibiting carryover;  
9 amending 68 O.S. 2001, Section 2358, as last amended  
10 by Section 1, Chapter 436, O.S.L. 2009 (68 O.S. Supp.  
11 2009, Section 2358), which relates to income tax  
12 adjustments; providing an adjustment of certain  
13 income received from harvesting or manufacturing  
14 products from Eastern Red Cedar for certain tax year;  
15 providing an adjustment of certain income received  
16 from certain equipment or facility used to process  
17 Eastern Red Cedar for certain tax year; providing  
18 time limit; allowing certain percent exemption for  
19 nonresidents; amending Section 3, Chapter 340, O.S.L.  
20 2007 (74 O.S. Supp. 2009, Section 5009.12), which  
21 relates to the Oklahoma Bioenergy Center; defining  
22 biofuels to include fuels derived from cedar trees;  
23 creating the Renewable Energy Standards Act;  
24 providing definitions; directing the Corporation  
Commission to establish renewable energy portfolio  
requirements for affected utilities; providing for  
calculation of capacity from renewable energy credit  
purchases; limiting use of renewable energy credits  
to certain years; setting minimum net renewable  
generation capacity percentages for certain time  
periods; making portfolio requirements apply to  
certain power; providing for application to megawatts  
installed after a certain date; directing the  
Commission to promulgate certain rules by certain  
date; allowing for the recovery of reasonable costs  
incurred for certain purpose; requiring the  
Commission to make a determination of increased total  
revenue requirements for affected utilities;  
providing criteria for determining retail rate  
impact; directing the Commission to establish  
reporting and enforcement mechanisms; providing  
criteria for setting administrative penalties;  
prohibiting the assessment of penalties for certain  
years under certain conditions; allowing the  
Commission to exempt affected utilities from  
administrative penalties under certain circumstances;  
prohibiting administrative penalties from being

1 recovered from retail customers; directing the  
2 Commission to promulgate certain rules by certain  
3 date; directing the Commission to establish a  
4 certification process for other renewable energy  
5 resources; specifying certain criteria for  
6 certification process; providing certain conditions;  
7 directing the Commission to promulgate certain rules  
8 by certain date; providing for codification;  
9 providing for noncodification; providing an effective  
10 date; and declaring an emergency.

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

12 SECTION 1. NEW LAW A new section of law not to be  
13 codified in the Oklahoma Statutes reads as follows:

14 This act shall be known and may be cited as the "Eastern Red  
15 Cedar Initiative Act of 2010".

16 SECTION 2. NEW LAW A new section of law to be codified  
17 in the Oklahoma Statutes as Section 18-401 of Title 2, unless there  
18 is created a duplication in numbering, reads as follows:

19 Sections 4 through 9 of this act shall be known and may be cited  
20 as the "Eastern Red Cedar Registry Board Act".

21 SECTION 3. NEW LAW A new section of law to be codified  
22 in the Oklahoma Statutes as Section 18-402 of Title 2, unless there  
23 is created a duplication in numbering, reads as follows:

24 It is the intent of the Legislature to:

1. Create the Eastern Red Cedar Registry;

1           2. Provide for a registry for Eastern Red Cedar trees in the  
2 state, including but not limited to the location, ownership, level  
3 of infestation, and grade of the trees;

4           3. Promote the harvesting of Eastern Red Cedars through  
5 issuance of harvesting permits, membership in the registry, and  
6 maintenance of state harvesting records; and

7           4. Promote marketing, research and education efforts concerning  
8 the Eastern Red Cedar tree and Eastern Red Cedar products.

9           SECTION 4.       NEW LAW       A new section of law to be codified  
10 in the Oklahoma Statutes as Section 18-403 of Title 2, unless there  
11 is created a duplication in numbering, reads as follows:

12           A. There is hereby created the Eastern Red Cedar Registry  
13 Board. The Board shall consist of the following members:

14           1. The Governor shall appoint three members as follows:

15               a. one member representing a property owner in the state,

16               b. one member engaged in the business of harvesting  
17 Eastern Red Cedar trees in the state, and

18               c. one member engaged in the business of manufacturing  
19 products from Eastern Red Cedar trees;

20           2. The Speaker of the House of Representatives shall appoint  
21 two members as follows:

22               a. one member with a background or experience in  
23 marketing agricultural products, and  
24

1           b.    one member with a background or experience in  
2                   renewable energy;

3           3.    The President Pro Tempore of the State Senate shall appoint  
4 two members as follows:

5           a.    one member from a higher education institution in The  
6                   Oklahoma State System of Higher Education who  
7                   specializes in agricultural production, and

8           b.    one member from a higher education institution in The  
9                   Oklahoma State System of Higher Education who  
10                  specializes in forestry and forest management;

11          4.    The Commissioner of Agriculture, or a designee;

12          5.    The Executive Director of the Oklahoma Conservation  
13 Commission;

14          6.    The Executive Director of the Department of Environmental  
15 Quality, or designee;

16          7.    A member of the Corporation Commission or designee; and

17          8.    A member appointed by and representing the Natural Resources  
18 Conservation Service of the United States Department of Agriculture.

19          B.    The initial appointment for each member appointed by the  
20 Governor shall be for progressive terms of one (1) through three (3)  
21 years. The initial appointment for each member appointed by the  
22 Speaker of the House of Representatives shall be for progressive  
23 terms of one (1) and two (2) years. The initial appointment for  
24 each member appointed by the President Pro Tempore of the State

1 Senate shall be for progressive terms of one (1) and two (2) years.  
2 Subsequent appointments shall be for three-year terms. Members  
3 shall continue to serve until their successors are appointed. Any  
4 vacancy shall be filled in the same manner as the original  
5 appointment. No member shall serve more than two consecutive terms.

6 SECTION 5. NEW LAW A new section of law to be codified  
7 in the Oklahoma Statutes as Section 18-404 of Title 2, unless there  
8 is created a duplication in numbering, reads as follows:

9 A. The Eastern Red Cedar Registry Board shall:

10 1. Provide for the administration of the Eastern Red Cedar  
11 Registry for Eastern Red Cedar trees in the state. Private  
12 landowners in the state may register the location of their property,  
13 the level of infestation of Eastern Red Cedar trees on the property,  
14 and grade of the trees on the property. The Board shall develop and  
15 implement an application and registration process for landowners;

16 2. Promote the harvesting of Eastern Red Cedar trees. Persons  
17 or entities involved in the harvesting of Eastern Red Cedar trees or  
18 the manufacturing of products from Eastern Red Cedar trees may apply  
19 for registration with the Board. The Board shall develop and  
20 implement an application and registration process for harvesters and  
21 manufacturers;

22 3. Maintain harvesting records of Eastern Red Cedar trees in  
23 the state;

24

- 1           4. Develop new uses and markets for Eastern Red Cedar trees and  
2 Eastern Red Cedar products;
- 3           5. Promote marketing, research and education efforts concerning  
4 the Eastern Red Cedar tree and Eastern Red Cedar products;
- 5           6. Cooperate with any local, state, regional, or nationwide  
6 organization or agency engaged in work or activities consistent with  
7 the objectives of the Eastern Red Cedar Registry Board Act;
- 8           7. Assist communities located in any county in the state to  
9 organize and establish community-owned Eastern Red Cedar projects  
10 including but not limited to harvesting operations, biofuel plants,  
11 cedar oil manufacturing facilities, or other cedar product  
12 manufacturing facilities in the community. The Board shall assist  
13 in securing financing, infrastructure and other resources. The  
14 Board shall also establish criteria by which the community-based  
15 projects shall be formed in order to qualify for the sales tax  
16 credit provided for in Section 1357 of Title 68 of the Oklahoma  
17 Statutes and the income tax credit provided for in Section 2358 of  
18 Title 68 of the Oklahoma Statutes;
- 19           8. Accept donated Eastern Red Cedar trees from landowners  
20 registered with the Board and make the donated trees available to  
21 registered harvesters and manufacturers; and
- 22           9. Have any other powers and duties necessary to implement the  
23 Eastern Red Cedar Registry Board Act.
- 24

1 C. The Board shall annually elect a chair from among the  
2 members. The Board shall meet regularly, but in no case shall it  
3 meet less than one time per calendar quarter, and shall meet at any  
4 other times as called by the chair, or upon request of three or more  
5 members of the Board.

6 D. The Board shall prepare an annual report of all activities  
7 for each fiscal year. The annual report shall be filed with the  
8 Governor, Speaker of the House of Representatives, and the President  
9 Pro Tempore of the State Senate.

10 SECTION 6. NEW LAW A new section of law to be codified  
11 in the Oklahoma Statutes as Section 18-405 of Title 2, unless there  
12 is created a duplication in numbering, reads as follows:

13 The Oklahoma Department of Agriculture, Food, and Forestry and  
14 any other agency of the state shall provide support, resources, and  
15 information as required by the Eastern Red Cedar Registry Board to  
16 implement the provisions of the Eastern Red Cedar Registry Board  
17 Act, including but not limited to assistance in marketing  
18 development and promotion, identification of financial resources and  
19 grants, and grant application submission.

20 SECTION 7. NEW LAW A new section of law to be codified  
21 in the Oklahoma Statutes as Section 18-406 of Title 2, unless there  
22 is created a duplication in numbering, reads as follows:

23 A. Eastern Red Cedar trees removed from lands owned by any  
24 state agency or any person or entity with authority to remove the

1 trees from state-owned lands may be donated at no cost to harvesters  
2 registered with the Eastern Red Cedar Registry Board.

3 B. A state agency may cooperate with the Eastern Red Cedar  
4 Registry Board to issue permits to registered harvesters to allow  
5 the harvesting of Eastern Red Cedar trees on land owned by the state  
6 agency.

7 SECTION 8. NEW LAW A new section of law to be codified  
8 in the Oklahoma Statutes as Section 18-407 of Title 2, unless there  
9 is created a duplication in numbering, reads as follows:

10 There is hereby created in the State Treasury a revolving fund  
11 for the Eastern Red Cedar Registry Board to be designated the  
12 "Eastern Red Cedar Revolving Fund". The fund shall be a continuing  
13 fund, not subject to fiscal year limitations, and shall consist of  
14 all monies received by the Eastern Red Cedar Registry Board from the  
15 state income tax checkoff as provided for in Section 9 of this act,  
16 any state appropriated funds, federal funds, donations, grants,  
17 contributions, and gifts from any public or private source. All  
18 monies accruing to the credit of said fund are hereby appropriated  
19 and may be budgeted and expended by the Eastern Red Cedar Registry  
20 Board for the purposes set forth in the Eastern Red Cedar Registry  
21 Act. Expenditures from said fund shall be made upon warrants issued  
22 by the State Treasurer against claims filed as prescribed by law  
23 with the Director of State Finance for approval and payment.

24

1           SECTION 9.           NEW LAW           A new section of law to be codified  
2 in the Oklahoma Statutes as Section 18-408 of Title 2, unless there  
3 is created a duplication in numbering, reads as follows:

4           A. Each individual taxpayer required to file a state income tax  
5 return who desires to contribute to the Eastern Red Cedar Revolving  
6 Fund, as created in Section 8 of this act, may designate the  
7 contribution on the appropriate income tax form. The contribution  
8 may not increase or decrease the income or liability of the taxpayer  
9 and may be made by reducing the income tax refund of a taxpayer by  
10 the amount designated or by accepting additional payment from the  
11 taxpayer by the amount designated, whichever is appropriate.

12           B. 1. The Oklahoma Tax Commission shall include on each state  
13 individual income tax return form for tax years beginning after  
14 December 31, 2010, an opportunity for the taxpayer to donate for the  
15 benefit of the Eastern Red Cedar Revolving Fund. The instructions  
16 accompanying the income tax form shall be provided to the Oklahoma  
17 Tax Commission by the Eastern Red Cedar Registry Board and shall  
18 contain a description of the purpose for which the Eastern Red Cedar  
19 Revolving Fund was established and information on the use of monies  
20 from the income tax contribution.

21           2. Taxpayers who are entitled to refunds shall have the refunds  
22 reduced by the amount designated by the taxpayer. The Oklahoma Tax  
23 Commission shall annually determine the total amount designated plus  
24 the amount received in excess payments and shall report the total

1 amount to the Office of the State Treasurer. The State Treasurer  
2 shall credit the total amount to the Eastern Red Cedar Revolving  
3 Fund created in Section 8 of this act at the earliest possible time.

4 C. The incremental cost of administration of contributions  
5 shall be paid out of the fund to the Oklahoma Tax Commission from  
6 amounts received pursuant to this section before funds are expended  
7 for the purposes of the Fund.

8 SECTION 10. AMENDATORY Section 14, Chapter 504, O.S.L.  
9 2004, as last amended by Section 3, Chapter 311, O.S.L. 2009 (47  
10 O.S. Supp. 2009, Section 1135.5), is amended to read as follows:

11 Section 1135.5 A. The Oklahoma Tax Commission is hereby  
12 authorized to design and issue appropriate official special license  
13 plates to persons wishing to demonstrate support and provide  
14 financial assistance as provided by this section.

15 Special license plates shall not be transferred to any other  
16 person but shall be removed from the vehicle upon transfer of  
17 ownership and retained. The special license plate may then be used  
18 on another vehicle but only after such other vehicle has been  
19 registered for the current year with a motor license agent.

20 Special license plates shall be renewed each year by the Tax  
21 Commission or a motor license agent. The Tax Commission shall  
22 annually notify by mail all persons issued special license plates.  
23 The notice shall contain all necessary information and shall contain  
24 instructions for the renewal procedure upon presentation to a motor

1 license agent or the Tax Commission. The license plates shall be  
2 issued on a staggered system.

3 The Tax Commission is hereby directed to develop and implement a  
4 system whereby motor license agents are permitted to accept  
5 applications for special license plates authorized under this  
6 section. The motor license agent shall confirm the applicant's  
7 eligibility, if applicable, collect and deposit any amount  
8 specifically authorized by law, accept and process the necessary  
9 information directly into such system and generate a receipt  
10 accordingly. For performance of these duties, motor license agents  
11 shall retain the fee provided in Section 1141.1 of this title for  
12 registration of a motor vehicle. The motor license agent fees for  
13 acceptance of applications and renewals shall be paid out of the  
14 Oklahoma Tax Commission Reimbursement Fund.

15 If fewer than one hundred of any type of special license plates  
16 authorized prior to January 1, 2004, are issued prior to January 1,  
17 2006, the Tax Commission shall discontinue issuance and renewal of  
18 that type of special license plate. Any such authorized special  
19 license plate registrant shall be allowed to display the license  
20 plate upon the designated vehicle until the registration expiration  
21 date. After such time the expired special license plate shall be  
22 removed from the vehicle.

23 For special license plates authorized on or after July 1, 2004,  
24 no special license plates shall be developed or issued by the Tax

1 Commission until the Commission receives one hundred prepaid  
2 applications therefor. The prepaid applications must be received by  
3 the Tax Commission within one hundred and eighty (180) days of the  
4 effective date of the authorization or the authority to issue shall  
5 be null and void. In the event one hundred prepaid applications are  
6 not received by the Tax Commission within such prescribed time  
7 period any payment so received shall be refunded accordingly.

8 B. The special license plates provided by this section are as  
9 follows:

10 1. University or College Supporter License Plates - such plates  
11 shall be designed and issued to any person wishing to demonstrate  
12 support to any state-supported or private university or college. As  
13 provided in this section, an amount of the fee collected shall be  
14 apportioned as provided in Section 1104.1 of this title;

15 2. Environmental Awareness License Plates - such plates shall  
16 be designed, subject to the criteria to be presented to the Tax  
17 Commission by the Department of Environmental Quality in  
18 consultation with the Oklahoma Arts Council, and issued to any  
19 person wishing to demonstrate support to implement the statewide  
20 general public environmental education program created pursuant to  
21 the provisions of the Oklahoma Environmental Quality Code. Such  
22 plates shall be designed and issued to any person in any combination  
23 of numbers and letters from one to a maximum of seven, as for  
24 personalized license plates. A dealer's license plate issued

1 pursuant to Section 1116.1 or 1128 of this title may be designated  
2 an Environmental Awareness License Plate upon payment of the fee  
3 imposed by this section and any other registration fees required by  
4 the Oklahoma Vehicle License and Registration Act. As provided in  
5 this section, an amount of the fee collected shall be apportioned  
6 pursuant to Section 1104.2 of this title;

7 3. Firefighter License Plates - such plates shall be designed  
8 for any career or retired firefighter, volunteer or paid.

9 Firefighters may apply for firefighter plates for up to four  
10 vehicles with a rated capacity of one (1) ton or less or for a  
11 motorcycle upon proof of a fire department membership by either an  
12 identification card or letter from the chief of the fire department.  
13 Retirees who are eligible for such plates shall provide proof of  
14 eligibility upon initial application, but shall not be required to  
15 provide proof of eligibility annually. The surviving spouse of any  
16 deceased firefighter, if the spouse has not since remarried, may  
17 apply for a firefighter license plate for one vehicle with a rated  
18 carrying capacity of one (1) ton or less or for a motorcycle upon  
19 proof that the deceased firefighter was a member of a fire  
20 department by either an identification card or letter from the chief  
21 of the fire department.

22 Except for motorcycles, the license plate shall have the legend  
23 "Oklahoma" in the color Pantone 186C Red and shall contain no more  
24 than three letters and three numbers in the color Pantone 301C Blue.

1 Between the letters and numbers shall be the Firefighter Maltese  
2 Cross Logo in the color Pantone 186C Red outlined in the color  
3 Pantone 301C Blue. Below the letters and the logo shall be the word  
4 "Firefighter" in the color Pantone 186C Red. The license plate for  
5 motorcycles may be of a similar design as space permits or a new  
6 design in order to meet the space requirements of a motorcycle  
7 license plate. The plates shall not be subject to the design  
8 requirements of any other license plates prescribed by law other  
9 than the space for the placement of the yearly decals for each  
10 succeeding year of registration after the initial issue.

11 As provided in this section, an amount of the fee collected  
12 shall be deposited to the Oklahoma State Firemen's Museum Building &  
13 Memorial Fund for support of the Oklahoma Firefighter Fallen and  
14 Living Memorial;

15 4. Wildlife Conservation License Plates - such plates shall be  
16 designed, subject to the criteria to be presented to the Tax  
17 Commission by the Oklahoma Department of Wildlife Conservation in  
18 consultation with the Oklahoma Arts Council, and issued to any  
19 person wishing to demonstrate support for wildlife conservation in  
20 this state through the Wildlife Diversity Fund, provided for in  
21 Section 3-310 of Title 29 of the Oklahoma Statutes. Such plates may  
22 be designed and issued to any person as for personalized license  
23 plates.

24

1 As provided in this section, an amount of the fee collected  
2 shall be apportioned pursuant to subsection D of Section 3-310 of  
3 Title 29 of the Oklahoma Statutes;

4 5. Child Abuse Prevention License Plates - such plates shall be  
5 designed, subject to the criteria to be presented to the Tax  
6 Commission by the Office of Child Abuse Prevention in the State  
7 Department of Health and the Oklahoma Committee to Prevent Child  
8 Abuse, and issued to any person wishing to demonstrate support for  
9 the prevention of child abuse.

10 As provided in this section, an amount of the fee collected  
11 shall be deposited in the Child Abuse Prevention Fund;

12 6. United States Olympic Committee Supporter License Plates -  
13 such plates shall be designed and issued to any person wishing to  
14 demonstrate support for the United States Olympic Committee. The  
15 plates shall be issued to any person in any combination of numbers  
16 and letters from one to a maximum of seven, as for personalized  
17 license plates. The plate shall contain the official United States  
18 Olympic Committee logo. The Tax Commission shall be authorized, if  
19 necessary, to enter into a licensing agreement with the United  
20 States Olympic Committee for any licensing fees which may be  
21 required in order to use the United States Olympic Committee logo or  
22 design. The licensing agreement shall provide for a payment of not  
23 more than Twenty-five Dollars (\$25.00) for each license plate  
24 issued;

1           7. Oklahoma History License Plates - such plates shall be  
2 designed and issued to any person wishing to demonstrate interest in  
3 Oklahoma history. As provided in this section, an amount of the fee  
4 collected shall be deposited to the Oklahoma Historical Society  
5 Revolving Fund to be used for educational purposes;

6           8. Historic Route 66 License Plates - such plates shall be  
7 designed to honor historic Route 66, also known as the "Mother  
8 Road". As provided in this section, an amount of the fee collected  
9 shall be apportioned to the Oklahoma Historical Society Revolving  
10 Fund to be distributed to the Route 66 Museum located in Clinton,  
11 Oklahoma;

12           9. Heart of the Heartland License Plates - such plates shall be  
13 designed and issued to any person wishing to honor the victims of  
14 the terrorist bombing attack on the Alfred P. Murrah Federal  
15 Building in downtown Oklahoma City on April 19, 1995. As provided  
16 in this section, an amount of the fee collected shall be deposited  
17 in the Heart of the Heartland Scholarship Fund, as established in  
18 Section 2282 of Title 70 of the Oklahoma Statutes;

19           10. Emergency Medical Technician License Plates - such plates  
20 shall be designed and issued to any person who is an emergency  
21 medical technician. Such persons may apply for an emergency medical  
22 technician license plate for each vehicle with a rated carrying  
23 capacity of one (1) ton or less upon proof of an emergency medical  
24 technician's license. The license plate shall be designed in

1 consultation with the state association of emergency medical  
2 technicians. As provided in this section, an amount of the fee  
3 collected shall be apportioned to the county of residence of the  
4 person purchasing the plates to be equally apportioned by the county  
5 to the city and county volunteer fire departments in the county;

6 11. Fight Breast Cancer License Plates - such plates shall be  
7 designed to demonstrate support for the prevention and treatment of  
8 breast cancer in this state. As provided in this section, an amount  
9 of the fee collected shall be apportioned to the Breast Cancer Act  
10 Revolving Fund;

11 12. Crime Victims Awareness License Plates - such plates shall  
12 be designed and issued to any person wishing to demonstrate  
13 awareness of and support for victims of crimes. The license plates  
14 shall be designed in consultation with the Oklahoma Crime Victims  
15 Centre. As provided in this section, an amount of the fee collected  
16 shall be apportioned to the Attorney General's Revolving Fund for  
17 the Office of the Attorney General, which is hereby directed to use  
18 such funds to contract with a statewide nonprofit organization to  
19 provide services to crime victims;

20 13. Oklahoma Safe Kids Association License Plates - such plates  
21 shall be designed and issued to any person wishing to demonstrate  
22 support and awareness of the Oklahoma Safe Kids Association. The  
23 license plate shall be designed in consultation with the Oklahoma  
24 Safe Kids Association. As provided in this section, an amount of

1 the fee collected shall be deposited in the Children's Hospital -  
2 Oklahoma Safe Kids Association Revolving Fund to be distributed to  
3 the Oklahoma Safe Kids Association program;

4 14. Four-H Club License Plates - such plates shall be designed,  
5 subject to criteria to be presented to the Tax Commission by the  
6 Four-H Foundation, and issued to any person wishing to demonstrate  
7 support of the Four-H Club. Such plates may be designed and issued  
8 to any person as for personalized license plates. As provided in  
9 this section, an amount of the fee collected shall be apportioned to  
10 the OSU Extension Service License Plate Revolving Fund created in  
11 Section 1104.4 of this title;

12 15. Agricultural Awareness License Plates - such plates shall  
13 be designed, subject to criteria to be presented to the Tax  
14 Commission, by the Oklahoma Department of Agriculture, Food, and  
15 Forestry in consultation with the Oklahoma Arts Council, and issued  
16 to any person wishing to demonstrate support of the Department's Ag  
17 in the Classroom Education Program. As provided in this section, an  
18 amount of the fee collected shall be apportioned as provided in  
19 Section 1104.3 of this title;

20 16. Oklahoma Statehood Centennial License Plates - such plates  
21 shall be designed and issued to any person wishing to commemorate  
22 the centennial of Oklahoma's admission to statehood in 1907. The  
23 license plates shall be designed in consultation with the Oklahoma  
24 Capitol Complex and Centennial Commemoration Commission. As

1 provided in this section, an amount of the fee collected shall be  
2 deposited in the Oklahoma Capitol Complex and Centennial  
3 Commemoration Commission Revolving Fund created in Section 98.5 of  
4 Title 73 of the Oklahoma Statutes;

5 17. Support Education License Plates - such plates shall be  
6 designed, subject to criteria to be presented to the Tax Commission  
7 by the State Department of Education in consultation with the  
8 Oklahoma Arts Council, and issued to any person wishing to  
9 demonstrate support for education in this state. All motor license  
10 agents shall display a sample of the Support Education License plate  
11 in the area of the business accessed by the public. Twenty-three  
12 Dollars (\$23.00) of the fee collected shall be apportioned as  
13 follows:

- 14 a. five percent (5%) shall be deposited to the Education  
15 Reform Revolving Fund,
- 16 b. five percent (5%) shall be deposited to the Higher  
17 Education Revolving Fund,
- 18 c. five percent (5%) shall be deposited to the State  
19 Career Technology Fund, and
- 20 d. eighty-five percent (85%) of the fee shall be  
21 deposited to the Teachers' Retirement Benefit Fund as  
22 set forth in Section 17-108 of Title 70 of the  
23 Oklahoma Statutes.

24

1        However, when the Teachers' Retirement Benefit Fund attains a  
2 seventy percent (70%) funded ratio based on an annual actuarial  
3 valuation as required by law, the amount of the fee shall be  
4 apportioned equally pursuant to subparagraphs a, b and c of this  
5 paragraph;

6        18. Retired Oklahoma Highway Patrol Officers License Plates -  
7 such plates shall be designed and issued to any retired officer of  
8 the Oklahoma Highway Patrol. The license plate shall have the  
9 legend "Oklahoma" and shall contain, in the center of the plate, the  
10 Highway Patrol Officers patch using the same colors and pattern as  
11 used in the patch. Centered on the bottom of the license plate  
12 shall be the word "Retired". The letters "TRP" shall be used in  
13 combination with three numbers on either side of the insignia or  
14 emblem. The color of the letters and numbers shall be brown.  
15 Retirees who are eligible for such plates shall provide proof of  
16 eligibility upon initial application, but shall not be required to  
17 provide proof of eligibility annually. The surviving spouse of any  
18 deceased retired officer of the Oklahoma Highway Patrol, if the  
19 spouse has not since remarried, or if remarried, the remarriage is  
20 terminated by death, divorce, or annulment, may apply for a Retired  
21 Oklahoma Highway Patrol Officers license plate. As provided in this  
22 section, an amount of the fee collected shall be deposited into the  
23 Law Enforcement Retirement Fund;

24

1       19. Boy Scouts of America Supporter License Plates - such  
2 plates shall be designed and issued to any person wishing to  
3 demonstrate support for the Boy Scouts of America. The plates shall  
4 be issued to any person in any combination of numbers and letters  
5 from one to a maximum of seven, as for personalized license plates.  
6 The plate shall contain the official Boy Scouts of America logo.  
7 The Tax Commission shall be authorized, if necessary, to enter into  
8 a licensing agreement with the Boy Scouts of America for any  
9 licensing fees which may be required in order to use the Boy Scouts  
10 of America logo or design. The licensing agreement shall provide  
11 for a payment to the Boy Scouts of America of not more than Twenty  
12 Dollars (\$20.00) for each license plate issued;

13       20. Urban Forestry and Beautification License Plates - such  
14 plates shall be designed, subject to criteria to be presented to the  
15 Tax Commission, by the Oklahoma Department of Agriculture, Food, and  
16 Forestry in consultation with nonprofit organizations in this state  
17 that develop and operate programs to encourage urban forestry and  
18 beautification, and issued to any person wishing to demonstrate  
19 support of such programs. As provided in this section, an amount of  
20 the fee collected shall be apportioned as provided in Section 1104.5  
21 of this title;

22       21. Oklahoma State Parks Supporter License Plates - such plates  
23 shall be designed, subject to criteria to be presented to the Tax  
24 Commission by the Oklahoma Tourism and Recreation Department, and

1 issued to any person wishing to demonstrate support for the Oklahoma  
2 state parks system. Twenty-three Dollars (\$23.00) of the fee  
3 collected shall be deposited in the Oklahoma Tourism and Recreation  
4 Department Revolving Fund. Such money shall be designated for and  
5 may only be expended for the support of Oklahoma state parks;

6 22. Adoption Creates Families License Plates - such plates  
7 shall be issued to any person wishing to demonstrate support of  
8 pregnant women who are committed to placing their children for  
9 adoption and wishing to provide assistance to guardians, adoptive  
10 parents and other created families to assist in the adoption and  
11 placement of children in permanent, safe homes. The license plates  
12 shall be designed and final terminology delivered in consultation  
13 with the Oklahoma Adoption Coalition and the Department of Human  
14 Services. Twenty-five Dollars (\$25.00) of the fee collected shall  
15 be deposited in a revolving fund established in the State Treasury  
16 for and to be used by the Department of Human Services for the  
17 implementation of the Investing in Stronger Oklahoma Families Act  
18 specifically for created families;

19 23. Choose Life License Plates - such plates shall be designed,  
20 subject to criteria presented to the Tax Commission, by Choose Life,  
21 Inc., and issued to any person who wishes to demonstrate support of  
22 organizations that encourage adoption as a positive choice for women  
23 with unplanned pregnancies. As provided in this section, an amount  
24 of the fee collected shall be deposited in the Choose Life

1 Assistance Program Revolving Fund established in Section 1104.6 of  
2 this title;

3 24. Future Farmers of America License Plate - such plates shall  
4 be designed and issued to persons wishing to demonstrate support for  
5 the Oklahoma FFA (formerly known as Future Farmers of America). The  
6 license plates shall be designed in consultation with the Oklahoma  
7 FFA Foundation Board of Directors. As provided in this section, an  
8 amount of the fee collected shall be apportioned as provided in  
9 Section 1104.7 of this title;

10 25. Lions Club License Plates - such plates shall be designed  
11 and issued to persons wishing to demonstrate support for the Lions  
12 Club of Oklahoma. The plates shall be issued to any person in any  
13 combination of numbers and letters from one to a maximum of seven,  
14 as for personalized license plates. The license plates shall be  
15 designed in consultation with the Oklahoma Lions Service Foundation  
16 and shall contain the official logo of the International Association  
17 of Lions Clubs. The Tax Commission shall be authorized to enter  
18 into a licensing agreement with the Oklahoma Lions Service  
19 Foundation. The licensing agreement shall provide for a payment to  
20 the Oklahoma Lions Service Foundation of not more than Ten Dollars  
21 (\$10.00) for each license plate issued;

22 26. Color Oklahoma License Plates - such plates shall be  
23 designed, subject to criteria to be presented to the Tax Commission  
24 by the Oklahoma Native Plant Society, and issued to any person

1 wishing to demonstrate support for preserving and planting  
2 wildflowers and native plants in Oklahoma and to promote Oklahoma's  
3 wildflower heritage through education. As provided in this section,  
4 an amount of the fee collected shall be apportioned as provided in  
5 Section 1104.8 of this title;

6       27. Girl Scouts of the United States of America Supporter  
7 License Plates - such plates shall be designed and issued to any  
8 person wishing to demonstrate support for the Girl Scouts of the  
9 United States of America. The plates shall be issued to any person  
10 in any combination of numbers and letters from one to a maximum of  
11 seven, as for personalized license plates. The plate shall contain  
12 the official Girl Scouts of the United States of America logo. The  
13 Tax Commission shall be authorized, if necessary, to enter into a  
14 licensing agreement with the Girl Scouts of the United States of  
15 America for any licensing fees which may be required in order to use  
16 the Girl Scouts of the United States of America logo or design. The  
17 licensing agreement shall provide for a payment to the Girl Scouts  
18 of Magic Empire Council, acting on behalf of all Oklahoma Girl Scout  
19 councils, of not more than Twenty Dollars (\$20.00) for each license  
20 plate issued;

21       28. Oklahoma City Memorial Marathon License Plates - such  
22 plates shall be designed and issued to any person wishing to  
23 demonstrate support for the Oklahoma City Memorial Marathon. The  
24 plate shall be designed in consultation with the Oklahoma City

1 Memorial Marathon. The Tax Commission shall be authorized to enter  
2 into a licensing agreement with the Oklahoma City Memorial Marathon  
3 for any licensing fees which may be required in order to use the  
4 Oklahoma City Memorial Marathon logo or design. The licensing  
5 agreement shall provide for a payment to the Oklahoma City Memorial  
6 Marathon of not more than Twenty Dollars (\$20.00) for each license  
7 plate issued;

8 29. Oklahoma Scenic Rivers License Plate - such plates shall be  
9 designed to demonstrate support for the Oklahoma Scenic Rivers. The  
10 plates shall be designed in consultation with the Oklahoma Scenic  
11 Rivers Commission. Twenty-five Dollars (\$25.00) of the fee shall be  
12 apportioned to the Oklahoma Scenic Rivers Commission;

13 30. Fight Cancer License Plate - such plates shall be designed  
14 to demonstrate support for the Oklahoma Central Cancer Registry.  
15 The plate shall contain the American Cancer Society logo. The  
16 American Cancer Society logo shall be used in accordance with the  
17 American Cancer Society's branding guidelines and shall only be  
18 utilized to support the Oklahoma Central Cancer Registry. Twenty  
19 Dollars (\$20.00) of the fee shall be apportioned to the Oklahoma  
20 Central Cancer Registry Revolving Fund;

21 31. Animal Friendly License Plate - such plates shall be  
22 designed and issued to any person wishing to demonstrate support for  
23 controlling the overpopulation of dogs and cats through educational  
24 and sterilization efforts. The plates shall be designed in

1 consultation with the Veterinary Medical Association. Twenty  
2 Dollars (\$20.00) of the fee collected shall be designated by the  
3 purchaser of the plate to be deposited in the Oklahoma Pet  
4 Overpopulation Fund created in Section 2368.13 of Title 68 of the  
5 Oklahoma Statutes or the Animal Friendly Revolving Fund created in  
6 Section 1104.10 of this title;

7 32. Patriot License Plate - such plates shall be designed in  
8 consultation with the Military Department of Oklahoma and issued to  
9 any person wishing to demonstrate support for Oklahoma residents who  
10 are members of the Oklahoma National Guard and deployed on active  
11 duty. The plates shall be issued to any person in any combination  
12 of numbers and letters from one to a maximum of seven, as for  
13 personalized license plates. As provided in this section, a portion  
14 of the fee collected shall be deposited in the Patriot License Plate  
15 Revolving Fund created in Section 1104.11 of this title;

16 33. Armed Forces Veterans Motorcycle License Plate - such  
17 plates shall be designed for use on a motorcycle in consultation  
18 with A Brotherhood Aiming Toward Education of Oklahoma, Inc.  
19 (ABATE), and issued to any honorably discharged former member of the  
20 United States Armed Forces wishing to demonstrate support for the  
21 45th Infantry Division Museum. Persons applying for such license  
22 plate must show proof of past military service. As provided in this  
23 section, a portion of the fee collected shall be deposited in the  
24

1 45th Infantry Division Museum Fund created in Section 235.1 of Title  
2 44 of the Oklahoma Statutes;

3 34. Global War on Terrorism License Plate - such plate shall be  
4 designed in consultation with the Military Department of Oklahoma  
5 and issued to any person wishing to demonstrate support for Oklahoma  
6 residents who are members of the Armed Forces of the United States  
7 or Oklahoma National Guard that have served in the Global War on  
8 Terrorism. The plate shall be issued to any person in any  
9 combination of numbers and letters from one to a maximum of six. As  
10 provided in this section, a portion of the fee collected shall be  
11 deposited in the 45th Infantry Division Museum Fund created in  
12 Section 235.1 of Title 44 of the Oklahoma Statutes;

13 35. Boys and Girls Clubs of America Supporter License Plates -  
14 such plates shall be designed and issued to any person wishing to  
15 demonstrate support for the Boys and Girls Clubs of America. The  
16 plates shall be issued to any person in any combination of numbers  
17 and letters from one to a maximum of seven, as for personalized  
18 license plates. The plate shall contain the official Boys and Girls  
19 Clubs of America logo. The Tax Commission, if necessary, may enter  
20 into a licensing agreement with the Boys and Girls Clubs of America  
21 for any licensing fees which may be required in order to use the  
22 Boys and Girls Clubs of America logo or design. The licensing  
23 agreement shall provide for a payment to the Boys and Girls Clubs of  
24

1 America of not more than Twenty Dollars (\$20.00) for each license  
2 plate issued;

3 36. Oklahoma Quarter Horse License Plates - such plates shall  
4 be designed and issued to any person wishing to demonstrate support  
5 for the American Quarter Horse in Oklahoma. The plate shall be  
6 designed in consultation with the Oklahoma Quarter Horse  
7 Association. As provided in this section, a portion of the fee  
8 collected shall be deposited in the Oklahoma Quarter Horse Revolving  
9 Fund created in Section 1104.12 of this title;

10 37. Oklahoma Association for the Deaf License Plate - such  
11 plates shall be designed in consultation with the Oklahoma  
12 Association for the Deaf and issued to any person wishing to  
13 demonstrate support for Oklahoma residents who are deaf. The plates  
14 shall be issued to any person in any combination of numbers and  
15 letters from one to maximum of seven, as for personalized license  
16 plates. As provided in this section, a portion of the fee collected  
17 shall be deposited in the Oklahoma Association for the Deaf License  
18 Plate Revolving Fund created in Section 1104.15 of this title;

19 38. Oklahoma City Zoo License Plate - such plates shall be  
20 issued to any person wishing to demonstrate support for the Oklahoma  
21 City Zoo. The license plates shall be designed in consultation with  
22 the Oklahoma Zoological Society, Inc. As provided in this section,  
23 an amount of the fee collected shall be deposited in the Oklahoma  
24

1 Zoological Society Revolving Fund created in Section 1104.13 of this  
2 title;

3 39. March of Dimes License Plate - such plates shall be issued  
4 to persons wishing to demonstrate support for the March of Dimes  
5 mission to improve the health of babies by preventing birth defects,  
6 premature birth and infant mortality. The license plates shall be  
7 designed in consultation with the Oklahoma Chapter March of Dimes.  
8 As provided in this section, an amount of the fee collected shall be  
9 deposited in the Oklahoma Prevent Birth Defects, Premature Birth and  
10 Infant Mortality Fund established in Section 1104.14 of this title;

11 40. Support Our Troops Supporter License Plates - such plates  
12 shall be designed and issued to any person wishing to demonstrate  
13 support for Support Our Troops Incorporated. The plates shall be  
14 issued to any person in any combination of numbers and letters from  
15 one to a maximum of six. The plate shall contain the official  
16 Support Our Troops Incorporated logo which includes the mark  
17 "Support Our Troops" across the bottom of the plate. The Tax  
18 Commission, if necessary, may enter into a licensing agreement with  
19 Support Our Troops Incorporated for any licensing fees which may be  
20 required in order to use the Support Our Troops Incorporated logo or  
21 design. The licensing agreement shall provide for a payment to  
22 Support Our Troops Incorporated of Twenty-five Dollars (\$25.00) for  
23 each license plate issued;

24

1        41. Folds of Honor Supporter License Plate - such plates shall  
2 be designed and issued to any person wishing to demonstrate support  
3 for Folds of Honor Incorporated, a nonprofit charitable organization  
4 exempt from taxation pursuant to the provisions of the Internal  
5 Revenue Code, 26 U.S.C., Section 501(c)(3), providing academic and  
6 vocational training scholarships to dependents of military  
7 servicemen and servicewomen who were either killed or wounded in  
8 action due to military service in the war in Iraq or Afghanistan.  
9 The plates shall be issued to any person in any combination of  
10 numbers and letters from one to a maximum of six. The plate shall  
11 be designed in consultation with Folds of Honor Incorporated and  
12 shall contain the official Folds of Honor Incorporated logo which  
13 includes the mark "Folds of Honor" across the bottom of the plate.  
14 The Tax Commission, if necessary, may enter into a licensing  
15 agreement with Folds of Honor Incorporated for any licensing fees  
16 which may be required in order to use the Folds of Honor  
17 Incorporated logo or design. The licensing agreement shall provide  
18 for a payment to Folds of Honor Incorporated of Twenty-five Dollars  
19 (\$25.00) for each license plate issued; and

20        42. Oklahoma City Thunder License Plate - such plates shall be  
21 designed and issued to any person wishing to demonstrate support for  
22 the Oklahoma City Thunder. The license plate shall be designed in  
23 consultation with the Oklahoma City Thunder organization. The Tax  
24 Commission shall be authorized, if necessary, to enter into a

1 licensing agreement with the Oklahoma City Thunder organization for  
2 any licensing fees which may be required in order to use the  
3 Oklahoma City Thunder logo or design. The licensing agreement shall  
4 provide for a payment of not more than Twenty Dollars (\$20.00); and

5 43. Remove the Eastern Red Cedar Tree License Plates - such  
6 plates shall be designed, subject to criteria to be presented to the  
7 Tax Commission, by the Eastern Red Cedar Registry Board, and issued  
8 to any person wishing to demonstrate support for the removal of  
9 Eastern Red Cedar trees from lands in the state and to develop  
10 marketable uses for the harvested trees. Twenty-three Dollars  
11 (\$23.00) of the fee collected shall be deposited in the Eastern Red  
12 Cedar Revolving Fund created in Section 8 of this act. The money  
13 shall be designated for and may only be expended for the purposes as  
14 set forth in the Eastern Red Cedar Registry Board Act.

15 C. The fee for such plates shall be Thirty-five Dollars  
16 (\$35.00) and shall be in addition to all other registration fees  
17 provided by the Oklahoma Vehicle License and Registration Act. The  
18 fee shall be apportioned as follows:

19 1. Twenty Dollars (\$20.00) or any other amount as provided in  
20 this title of the fee shall be apportioned as provided or deposited  
21 in a fund as specified within the paragraph authorizing the special  
22 license plate;

23 2. Eight Dollars (\$8.00) of the fee shall be deposited in the  
24 Oklahoma Tax Commission Reimbursement Fund to be used for the

1 administration of the Oklahoma Vehicle License and Registration Act;  
2 and

3 3. Any remaining amounts of the fee shall be apportioned as  
4 provided in Section 1104 of this title.

5 SECTION 11. AMENDATORY 68 O.S. 2001, Section 1357, as  
6 last amended by Section 26, Chapter 2, O.S.L. 2009 (68 O.S. Supp.  
7 2009, Section 1357), is amended to read as follows:

8 Section 1357. Exemptions - General.

9 There are hereby specifically exempted from the tax levied by  
10 the Oklahoma Sales Tax Code:

11 1. Transportation of school pupils to and from elementary  
12 schools or high schools in motor or other vehicles;

13 2. Transportation of persons where the fare of each person does  
14 not exceed One Dollar (\$1.00), or local transportation of persons  
15 within the corporate limits of a municipality except by taxicabs;

16 3. Sales for resale to persons engaged in the business of  
17 reselling the articles purchased, whether within or without the  
18 state, provided that such sales to residents of this state are made  
19 to persons to whom sales tax permits have been issued as provided in  
20 the Oklahoma Sales Tax Code. This exemption shall not apply to the  
21 sales of articles made to persons holding permits when such persons  
22 purchase items for their use and which they are not regularly  
23 engaged in the business of reselling; neither shall this exemption  
24 apply to sales of tangible personal property to peddlers, solicitors

1 and other salespersons who do not have an established place of  
2 business and a sales tax permit. The exemption provided by this  
3 paragraph shall apply to sales of motor fuel or diesel fuel to a  
4 Group Five vendor, but the use of such motor fuel or diesel fuel by  
5 the Group Five vendor shall not be exempt from the tax levied by the  
6 Oklahoma Sales Tax Code. The purchase of motor fuel or diesel fuel  
7 is exempt from sales tax when the motor fuel is for shipment outside  
8 this state and consumed by a common carrier by rail in the conduct  
9 of its business. The sales tax shall apply to the purchase of motor  
10 fuel or diesel fuel in Oklahoma by a common carrier by rail when  
11 such motor fuel is purchased for fueling, within this state, of any  
12 locomotive or other motorized flanged wheel equipment;

13 4. Sales of advertising space in newspapers and periodicals;

14 5. Sales of programs relating to sporting and entertainment  
15 events, and sales of advertising on billboards (including signage,  
16 posters, panels, marquees, or on other similar surfaces, whether  
17 indoors or outdoors) or in programs relating to sporting and  
18 entertainment events, and sales of any advertising, to be displayed  
19 at or in connection with a sporting event, via the Internet,  
20 electronic display devices, or through public address or broadcast  
21 systems. The exemption authorized by this paragraph shall be  
22 effective for all sales made on or after January 1, 2001;

23 6. Sales of any advertising, other than the advertising  
24 described by paragraph 5 of this section, via the Internet,

1 | electronic display devices, or through the electronic media,  
2 | including radio, public address or broadcast systems, television  
3 | (whether through closed circuit broadcasting systems or otherwise),  
4 | and cable and satellite television, and the servicing of any  
5 | advertising devices;

6 |       7. Eggs, feed, supplies, machinery and equipment purchased by  
7 | persons regularly engaged in the business of raising worms, fish,  
8 | any insect or any other form of terrestrial or aquatic animal life  
9 | and used for the purpose of raising same for marketing. This  
10 | exemption shall only be granted and extended to the purchaser when  
11 | the items are to be used and in fact are used in the raising of  
12 | animal life as set out above. Each purchaser shall certify, in  
13 | writing, on the invoice or sales ticket retained by the vendor that  
14 | the purchaser is regularly engaged in the business of raising such  
15 | animal life and that the items purchased will be used only in such  
16 | business. The vendor shall certify to the Oklahoma Tax Commission  
17 | that the price of the items has been reduced to grant the full  
18 | benefit of the exemption. Violation hereof by the purchaser or  
19 | vendor shall be a misdemeanor;

20 |       8. Sale of natural or artificial gas and electricity, and  
21 | associated delivery or transmission services, when sold exclusively  
22 | for residential use. Provided, this exemption shall not apply to  
23 | any sales tax levied by a city or town, or a county, or any other  
24 | jurisdiction in this state;

1           9. In addition to the exemptions authorized by Section 1357.6  
2 of this title, sales of drugs sold pursuant to a prescription  
3 written for the treatment of human beings by a person licensed to  
4 prescribe the drugs, and sales of insulin and medical oxygen.  
5 Provided, this exemption shall not apply to over-the-counter drugs;

6           10. Transfers of title or possession of empty, partially  
7 filled, or filled returnable oil and chemical drums to any person  
8 who is not regularly engaged in the business of selling, reselling  
9 or otherwise transferring empty, partially filled, or filled  
10 returnable oil drums;

11           11. Sales of one-way utensils, paper napkins, paper cups,  
12 disposable hot containers and other one-way carry out materials to a  
13 vendor of meals or beverages;

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

23

24

1 13. Sales of food or food products, or any equipment or  
2 supplies used in the preparation of the food or food products to or  
3 by an organization which:

4 a. is exempt from taxation pursuant to the provisions of  
5 Section 501(c)(3) of the Internal Revenue Code, 26  
6 U.S.C., Section 501(c)(3), and which provides and  
7 delivers prepared meals for home consumption to  
8 elderly or homebound persons as part of a program  
9 commonly known as "Meals on Wheels" or "Mobile Meals",  
10 or

11 b. is 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 which receives federal  
14 funding pursuant to the Older Americans Act of 1965,  
15 as amended, for the purpose of providing nutrition  
16 programs for the care and benefit of elderly persons;

17 14. a. Sales of tangible personal property or services to or  
18 by organizations which are exempt from taxation  
19 pursuant to the provisions of Section 501(c)(3) of the  
20 Internal Revenue Code, 26 U.S.C., Section 501(c)(3),  
21 and:

22 (1) are primarily involved in the collection and  
23 distribution of food and other household products  
24 to other organizations that facilitate the

1 distribution of such products to the needy and  
2 such distributee organizations are exempt from  
3 taxation pursuant to the provisions of Section  
4 501(c) (3) of the Internal Revenue Code, 26  
5 U.S.C., Section 501(c) (3), or

6 (2) facilitate the distribution of such products to  
7 the needy.

8 b. Sales made in the course of business for profit or  
9 savings, competing with other persons engaged in the  
10 same or similar business shall not be exempt under  
11 this paragraph;

12 15. Sales of tangible personal property or services to  
13 children's homes which are located on church-owned property and are  
14 operated by organizations exempt from taxation pursuant to the  
15 provisions of the Internal Revenue Code, 26 U.S.C., Section  
16 501(c) (3);

17 16. Sales of computers, data processing equipment, related  
18 peripherals and telephone, telegraph or telecommunications service  
19 and equipment for use in a qualified aircraft maintenance or  
20 manufacturing facility. For purposes of this paragraph, "qualified  
21 aircraft maintenance or manufacturing facility" means a new or  
22 expanding facility primarily engaged in aircraft repair, building or  
23 rebuilding whether or not on a factory basis, whose total cost of  
24 construction exceeds the sum of Five Million Dollars (\$5,000,000.00)

1 and which employs at least two hundred fifty (250) new full-time-  
2 equivalent employees, as certified by the Oklahoma Employment  
3 Security Commission, upon completion of the facility. In order to  
4 qualify for the exemption provided for by this paragraph, the cost  
5 of the items purchased by the qualified aircraft maintenance or  
6 manufacturing facility shall equal or exceed the sum of Two Million  
7 Dollars (\$2,000,000.00);

8       17. Sales of tangible personal property consumed or  
9 incorporated in the construction or expansion of a qualified  
10 aircraft maintenance or manufacturing facility as defined in  
11 paragraph 16 of this section. For purposes of this paragraph, sales  
12 made to a contractor or subcontractor that has previously entered  
13 into a contractual relationship with a qualified aircraft  
14 maintenance or manufacturing facility for construction or expansion  
15 of such a facility shall be considered sales made to a qualified  
16 aircraft maintenance or manufacturing facility;

17       18. Sales of the following telecommunications services:

18           a. Interstate and International "800 service". "800  
19           service" means a "telecommunications service" that  
20           allows a caller to dial a toll-free number without  
21           incurring a charge for the call. The service is  
22           typically marketed under the name "800", "855", "866",  
23           "877", and "888" toll-free calling, and any subsequent  
24

1 numbers designated by the Federal Communications  
2 Commission, or

3 b. Interstate and International "900 service". "900  
4 service" means an inbound toll "telecommunications  
5 service" purchased by a subscriber that allows the  
6 subscriber's customers to call in to the subscriber's  
7 prerecorded announcement or live service. "900  
8 service" does not include the charge for: collection  
9 services provided by the seller of the  
10 "telecommunications services" to the subscriber, or  
11 service or product sold by the subscriber to the  
12 subscriber's customer. The service is typically  
13 marketed under the name "900" service, and any  
14 subsequent numbers designated by the Federal  
15 Communications Commission,

16 c. Interstate and International "private communications  
17 service". "Private communications service" means a  
18 "telecommunications service" that entitles the  
19 customer to exclusive or priority use of a  
20 communications channel or group of channels between or  
21 among termination points, regardless of the manner in  
22 which such channel or channels are connected, and  
23 includes switching capacity, extension lines,  
24 stations, and any other associated services that are

1 provided in connection with the use of such channel or  
2 channels,

3 d. "Value-added nonvoice data service". "Value-added  
4 nonvoice data service" means a service that otherwise  
5 meets the definition of "telecommunications services"  
6 in which computer processing applications are used to  
7 act on the form, content, code, or protocol of the  
8 information or data primarily for a purpose other than  
9 transmission, conveyance or routing,

10 e. Interstate and International telecommunications  
11 service which is:

12 (1) rendered by a company for private use within its  
13 organization, or

14 (2) used, allocated, or distributed by a company to  
15 its affiliated group,

16 f. Regulatory assessments and charges, including charges  
17 to fund the Oklahoma Universal Service Fund, the  
18 Oklahoma Lifeline Fund and the Oklahoma High Cost  
19 Fund, and

20 g. Telecommunications nonrecurring charges, including but  
21 not limited to the installation, connection, change or  
22 initiation of telecommunications services which are  
23 not associated with a retail consumer sale;

24

1 19. Sales of railroad track spikes manufactured and sold for  
2 use in this state in the construction or repair of railroad tracks,  
3 switches, sidings and turnouts;

4 20. Sales of aircraft and aircraft parts provided such sales  
5 occur at a qualified aircraft maintenance facility. As used in this  
6 paragraph, "qualified aircraft maintenance facility" means a  
7 facility operated by an air common carrier at which there were  
8 employed at least two thousand (2,000) full-time-equivalent  
9 employees in the preceding year as certified by the Oklahoma  
10 Employment Security Commission and which is primarily related to the  
11 fabrication, repair, alteration, modification, refurbishing,  
12 maintenance, building or rebuilding of commercial aircraft or  
13 aircraft parts used in air common carriage. For purposes of this  
14 paragraph, "air common carrier" shall also include members of an  
15 affiliated group as defined by Section 1504 of the Internal Revenue  
16 Code, 26 U.S.C., Section 1504;

17 21. Sales of machinery and equipment purchased and used by  
18 persons and establishments primarily engaged in computer services  
19 and data processing:

- 20 a. as defined under Industrial Group Numbers 7372 and  
21 7373 of the Standard Industrial Classification (SIC)  
22 Manual, latest version, which derive at least fifty  
23 percent (50%) of their annual gross revenues from the  
24

1 sale of a product or service to an out-of-state buyer  
2 or consumer, and

3 b. as defined under Industrial Group Number 7374 of the  
4 SIC Manual, latest version, which derive at least  
5 eighty percent (80%) of their annual gross revenues  
6 from the sale of a product or service to an out-of-  
7 state buyer or consumer.

8 Eligibility for the exemption set out in this paragraph shall be  
9 established, subject to review by the Tax Commission, by annually  
10 filing an affidavit with the Tax Commission stating that the  
11 facility so qualifies and such information as required by the Tax  
12 Commission. For purposes of determining whether annual gross  
13 revenues are derived from sales to out-of-state buyers or consumers,  
14 all sales to the federal government shall be considered to be to an  
15 out-of-state buyer or consumer;

16 22. Sales of prosthetic devices to an individual for use by  
17 such individual. For purposes of this paragraph, "prosthetic  
18 device" shall have the same meaning as provided in Section 1357.6 of  
19 this title, but shall not include corrective eye glasses, contact  
20 lenses or hearing aids;

21 23. Sales of tangible personal property or services to a motion  
22 picture or television production company to be used or consumed in  
23 connection with an eligible production. For purposes of this  
24 paragraph, "eligible production" means a documentary, special, music

1 video, or a television commercial or television program that will  
2 serve as a pilot for or be a segment of an ongoing dramatic or  
3 situation comedy series filmed or taped for network or national or  
4 regional syndication or a feature-length motion picture intended for  
5 theatrical release or for network or national or regional  
6 syndication or broadcast. The provisions of this paragraph shall  
7 apply to sales occurring on or after July 1, 1996. In order to  
8 qualify for the exemption, the motion picture or television  
9 production company shall file any documentation and information  
10 required to be submitted pursuant to rules promulgated by the Tax  
11 Commission;

12 24. Sales of diesel fuel sold for consumption by commercial  
13 vessels, barges and other commercial watercraft;

14 25. Sales of tangible personal property or services to tax-  
15 exempt independent nonprofit biomedical research foundations that  
16 provide educational programs for Oklahoma science students and  
17 teachers and to tax-exempt independent nonprofit community blood  
18 banks headquartered in this state;

19 26. Effective May 6, 1992, sales of wireless telecommunications  
20 equipment to a vendor who subsequently transfers the equipment at no  
21 charge or for a discounted charge to a consumer as part of a  
22 promotional package or as an inducement to commence or continue a  
23 contract for wireless telecommunications services;

24

1        27. Effective January 1, 1991, leases of rail transportation  
2 cars to haul coal to coal-fired plants located in this state which  
3 generate electric power;

4        28. Beginning July 1, 2005, sales of aircraft engine repairs,  
5 modification, and replacement parts, sales of aircraft frame repairs  
6 and modification, aircraft interior modification, and paint, and  
7 sales of services employed in the repair, modification and  
8 replacement of parts of aircraft engines, aircraft frame and  
9 interior repair and modification, and paint;

10       29. Sales of materials and supplies to the owner or operator of  
11 a ship, motor vessel or barge that is used in interstate or  
12 international commerce if the materials and supplies:

13           a. are loaded on the ship, motor vessel or barge and used  
14           in the maintenance and operation of the ship, motor  
15           vessel or barge, or

16           b. enter into and become component parts of the ship,  
17           motor vessel or barge;

18       30. Sales of tangible personal property made at estate sales at  
19 which such property is offered for sale on the premises of the  
20 former residence of the decedent by a person who is not required to  
21 be licensed pursuant to the Transient Merchant Licensing Act, or who  
22 is not otherwise required to obtain a sales tax permit for the sale  
23 of such property pursuant to the provisions of Section 1364 of this  
24 title; provided:

- 1           a.    such sale or event may not be held for a period  
2                    exceeding three (3) consecutive days,  
3           b.    the sale must be conducted within six (6) months of  
4                    the date of death of the decedent, and  
5           c.    the exemption allowed by this paragraph shall not be  
6                    allowed for property that was not part of the  
7                    decedent's estate;

8           31.   Beginning January 1, 2004, sales of electricity and  
9 associated delivery and transmission services, when sold exclusively  
10 for use by an oil and gas operator for reservoir dewatering projects  
11 and associated operations commencing on or after July 1, 2003, in  
12 which the initial water-to-oil ratio is greater than or equal to  
13 five-to-one water-to-oil, and such oil and gas development projects  
14 have been classified by the Corporation Commission as a reservoir  
15 dewatering unit;

16           32.   Sales of prewritten computer software that is delivered  
17 electronically. For purposes of this paragraph, "delivered  
18 electronically" means delivered to the purchaser by means other than  
19 tangible storage media;

20           33.   Sales of modular dwelling units when built at a production  
21 facility and moved in whole or in parts, to be assembled on-site,  
22 and permanently affixed to the real property and used for  
23 residential or commercial purposes. The exemption provided by this  
24 paragraph shall equal forty-five percent (45%) of the total sales

1 price of the modular dwelling unit. For purposes of this paragraph,  
2 "modular dwelling unit" means a structure that is not subject to the  
3 motor vehicle excise tax imposed pursuant to Section 2103 of this  
4 title;

5 34. Sales of tangible personal property or services to persons  
6 who are residents of Oklahoma and have been honorably discharged  
7 from active service in any branch of the Armed Forces of the United  
8 States or Oklahoma National Guard and who have been certified by the  
9 United States Department of Veterans Affairs or its successor to be  
10 in receipt of disability compensation at the one-hundred-percent  
11 rate and the disability shall be permanent and have been sustained  
12 through military action or accident or resulting from disease  
13 contracted while in such active service; provided, sales for the  
14 benefit of the person to a spouse of the eligible person or to a  
15 member of the household in which the eligible person resides and who  
16 is authorized to make purchases on the person's behalf, when such  
17 eligible person is not present at the sale, shall also be exempt for  
18 purposes of this paragraph. Sales qualifying for the exemption  
19 authorized by this paragraph shall not exceed Twenty-five Thousand  
20 Dollars (\$25,000.00) per year per individual. Upon request of the  
21 Tax Commission, a person asserting or claiming the exemption  
22 authorized by this paragraph shall provide a statement, executed  
23 under oath, that the total sales amounts for which the exemption is  
24 applicable have not exceeded Twenty-five Thousand Dollars

1 (\$25,000.00) per year. If the amount of such exempt sales exceeds  
2 such amount, the sales tax in excess of the authorized amount shall  
3 be treated as a direct sales tax liability and may be recovered by  
4 the Tax Commission in the same manner provided by law for other  
5 taxes, including penalty and interest;

6 35. Sales of electricity to the operator, specifically  
7 designated by the Oklahoma Corporation Commission, of a spacing unit  
8 or lease from which oil is produced or attempted to be produced  
9 using enhanced recovery methods, including, but not limited to,  
10 increased pressure in a producing formation through the use of water  
11 or saltwater if the electrical usage is associated with and  
12 necessary for the operation of equipment required to inject or  
13 circulate fluids in a producing formation for the purpose of forcing  
14 oil or petroleum into a wellbore for eventual recovery and  
15 production from the wellhead. In order to be eligible for the sales  
16 tax exemption authorized by this paragraph, the total content of oil  
17 recovered after the use of enhanced recovery methods shall not  
18 exceed one percent (1%) by volume. The exemption authorized by this  
19 paragraph shall be applicable only to the state sales tax rate and  
20 shall not be applicable to any county or municipal sales tax rate;

21 36. Sales of intrastate charter and tour bus transportation.  
22 As used in this paragraph, "intrastate charter and tour bus  
23 transportation" means the transportation of persons from one  
24 location in this state to another location in this state in a motor

1 vehicle which has been constructed in such a manner that it may  
2 lawfully carry more than eighteen persons, and which is ordinarily  
3 used or rented to carry persons for compensation. Provided, this  
4 exemption shall not apply to regularly scheduled bus transportation  
5 for the general public;

6 37. Sales of vitamins, minerals and dietary supplements by a  
7 licensed chiropractor to a person who is the patient of such  
8 chiropractor at the physical location where the chiropractor  
9 provides chiropractic care or services to such patient. The  
10 provisions of this paragraph shall not be applicable to any drug,  
11 medicine or substance for which a prescription by a licensed  
12 physician is required;

13 38. Sales of goods, wares, merchandise, tangible personal  
14 property, machinery and equipment to a web search portal located in  
15 this state which derives at least eighty percent (80%) of its annual  
16 gross revenue from the sale of a product or service to an out-of-  
17 state buyer or consumer. For purposes of this paragraph, "web  
18 search portal" means an establishment classified under NAICS code  
19 519130 which operates web sites that use a search engine to generate  
20 and maintain extensive databases of Internet addresses and content  
21 in an easily searchable format;

22 39. Sales of tangible personal property consumed or  
23 incorporated in the construction or expansion of a facility for a  
24 corporation organized under Section 437 et seq. of Title 18 of the

1 Oklahoma Statutes as a rural electric cooperative. For purposes of  
2 this paragraph, sales made to a contractor or subcontractor that has  
3 previously entered into a contractual relationship with a rural  
4 electric cooperative for construction or expansion of a facility  
5 shall be considered sales made to a rural electric cooperative;

6 40. Sales of tangible personal property or services to a  
7 business primarily engaged in the repair of consumer electronic  
8 goods, including, but not limited to, cell phones, compact disc  
9 players, personal computers, MP3 players, digital devices for the  
10 storage and retrieval of information through hard-wired or wireless  
11 computer or Internet connections, if the devices are sold to the  
12 business by the original manufacturer of such devices and the  
13 devices are repaired, refitted or refurbished for sale by the entity  
14 qualifying for the exemption authorized by this paragraph directly  
15 to retail consumers or if the devices are sold to another business  
16 entity for sale to retail consumers; ~~and~~

17 41. Before July 1, 2014, sales of rolling stock when sold or  
18 leased by the manufacturer, regardless of whether the purchaser is a  
19 public services corporation engaged in business as a common carrier  
20 of property or passengers by railway, for use or consumption by a  
21 common carrier directly in the rendition of public service. For  
22 purposes of this paragraph, "rolling stock" means locomotives,  
23 autocars and railroad cars; and

24

1        42. Sales of products derived from the processing of Eastern  
2 Red Cedar trees if the product has been certified as "Made in  
3 Oklahoma" by the Eastern Red Cedar Registry Board created in Section  
4 4 of this act, including, but not limited to, planters, mulch, oil,  
5 fuel pellets, insecticides, building materials and medicines. The  
6 exemption authorized by this paragraph shall terminate June 30,  
7 2015, if the sale of the products is by an individual or for-profit  
8 business, corporation, or partnership. The exemption shall not  
9 terminate if the sale of the products is by a community-owned  
10 Eastern Red Cedar project which has been established in accordance  
11 with criteria established by the Eastern Red Cedar Registry Board  
12 created in Section 4 of this act.

13        SECTION 12.        NEW LAW        A new section of law to be codified  
14 in the Oklahoma Statutes as Section 2357.501 of Title 68, unless  
15 there is created a duplication in numbering, reads as follows:

16        A. As used in this section:

17        1. "Board" means the Eastern Red Cedar Registry Board created  
18 pursuant to Section 4 of this act;

19        2. "Donated" or "donation" means a transfer to the Board  
20 without any payment by the Board to the donor and without any value  
21 conferred on the donor other than the economic benefit associated  
22 with removal of Eastern Red Cedar trees from the donor's property;  
23 and  
24

1           3. "Donor" means any person or lawfully recognized business  
2 entity that is registered with the Board and transfers possession of  
3 one or more Eastern Red Cedar trees to the Board.

4           B. For taxable years beginning after December 31, 2010, there  
5 shall be allowed a credit against the tax imposed pursuant to  
6 Section 2355 of Title 68 of the Oklahoma Statutes equal to Five  
7 Hundred Dollars (\$500.00), as further limited pursuant to subsection  
8 C of this section, for the donation of Eastern Red Cedar trees to  
9 the Eastern Red Cedar Registry Board created pursuant to Section 4  
10 of this act in any calendar year.

11           C. The credit authorized by this section may be claimed for one  
12 (1) taxable year and shall be limited to Five Hundred Dollars  
13 (\$500.00) regardless of the number of Eastern Red Cedar trees  
14 donated to the Board.

15           D. The credit authorized by this section may not be used to  
16 reduce the tax liability of the taxpayer to less than zero (0).

17           E. The tax credit authorized by this section shall not carry  
18 over to any other taxable year and must be fully utilized by a  
19 taxpayer, if at all, for the taxable year during which the Eastern  
20 Red Cedar trees are donated to the Board.

21           SECTION 13.           AMENDATORY           68 O.S. 2001, Section 2358, as  
22 last amended by Section 1, Chapter 436, O.S.L. 2009 (68 O.S. Supp.  
23 2009, Section 2358), is amended to read as follows:

24

1 Section 2358. For all tax years beginning after December 31,  
2 1981, taxable income and adjusted gross income shall be adjusted to  
3 arrive at Oklahoma taxable income and Oklahoma adjusted gross income  
4 as required by this section.

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

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

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

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

19 a. For carryovers and carrybacks to taxable years  
20 beginning before January 1, 1981, the amount of any  
21 net operating loss deduction allowed to a taxpayer for  
22 federal income tax purposes shall be reduced to an  
23 amount which is the same portion thereof as the loss  
24 from sources within this state, as determined pursuant

1 to this section and Section 2362 of this title, for  
2 the taxable year in which such loss is sustained is of  
3 the total loss for such year;

4 b. For carryovers and carrybacks to taxable years  
5 beginning after December 31, 1980, the amount of any  
6 net operating loss deduction allowed for the taxable  
7 year shall be an amount equal to the aggregate of the  
8 Oklahoma net operating loss carryovers and carrybacks  
9 to such year. Oklahoma net operating losses shall be  
10 separately determined by reference to Section 172 of  
11 the Internal Revenue Code, 26 U.S.C., Section 172, as  
12 modified by the Oklahoma Income Tax Act, Section 2351  
13 et seq. of this title, and shall be allowed without  
14 regard to the existence of a federal net operating  
15 loss. For tax years beginning after December 31,  
16 2000, the years to which such losses may be carried  
17 shall be determined solely by reference to Section 172  
18 of the Internal Revenue Code, 26 U.S.C., Section 172,  
19 with the exception that the terms "net operating loss"  
20 and "taxable income" shall be replaced with "Oklahoma  
21 net operating loss" and "Oklahoma taxable income".

22 4. Items of the following nature shall be allocated as  
23 indicated. Allowable deductions attributable to items separately  
24 allocable in subparagraphs a, b and c of this paragraph, whether or

1 not such items of income were actually received, shall be allocated  
2 on the same basis as those items:

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

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

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

1 business situs insofar as distributed income is  
2 concerned,

3 (2) for taxable years beginning after December 31,  
4 2003, capital or ordinary gains or losses from  
5 the sale of an ownership interest in a publicly  
6 traded partnership, as defined by Section 7704(b)  
7 of the Internal Revenue Code of 1986, as amended,  
8 shall be allocated to this state in the ratio of  
9 the original cost of such partnership's tangible  
10 property in this state to the original cost of  
11 such partnership's tangible property everywhere,  
12 as determined at the time of the sale; if more  
13 than fifty percent (50%) of the value of the  
14 partnership's assets consists of intangible  
15 assets, capital or ordinary gains or losses from  
16 the sale of an ownership interest in the  
17 partnership shall be allocated to this state in  
18 accordance with the sales factor of the  
19 partnership for its first full tax period  
20 immediately preceding its tax period during which  
21 the ownership interest in the partnership was  
22 sold; the provisions of this division shall only  
23 apply if the capital or ordinary gains or losses  
24 from the sale of an ownership interest in a

1 partnership do not constitute qualifying gain  
2 receiving capital treatment as defined in  
3 subparagraph a of paragraph 2 of subsection F of  
4 this section,

5 (3) income from such property which is required to be  
6 allocated pursuant to the provisions of paragraph  
7 5 of this subsection shall be allocated as herein  
8 provided;

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

14 d. In the case of a manufacturing or processing  
15 enterprise the business of which in Oklahoma consists  
16 solely of marketing its products by:

17 (1) sales having a situs without this state, shipped  
18 directly to a point from without the state to a  
19 purchaser within the state, commonly known as  
20 interstate sales,

21 (2) sales of the product stored in public warehouses  
22 within the state pursuant to "in transit"  
23 tariffs, as prescribed and allowed by the  
24

1 Interstate Commerce Commission, to a purchaser  
2 within the state,

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

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

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

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

19 (2) if the principal source of premiums written by an  
20 insurance company consists of premiums for  
21 reinsurance accepted by it, the taxable income of  
22 such company shall be apportioned to this state  
23 by multiplying such income by a fraction, the  
24 numerator of which is the sum of (a) direct

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

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

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

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

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

22 (2) Property owned by the taxpayer is valued at its  
23 original cost. Property rented by the taxpayer  
24 is valued at eight times the net annual rental

1 rate. Net annual rental rate is the annual  
2 rental rate paid by the taxpayer, less any annual  
3 rental rate received by the taxpayer from  
4 subrentals,

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

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

21 (1) In the case of a transportation enterprise, the  
22 numerator of the fraction shall include a portion  
23 of such expenditure in connection with employees  
24 operating equipment over a fixed route, such as

1 railroad employees, airline pilots, or bus  
2 drivers, in this state only a part of the time,  
3 in the proportion that mileage traveled in  
4 Oklahoma bears to total mileage traveled by such  
5 employees,

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

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

21 (1) Sales of tangible personal property have a situs  
22 in this state if the property is delivered or  
23 shipped to a purchaser other than the United  
24 States government, within this state regardless

1 of the FOB point or other conditions of the sale;  
2 or the property is shipped from an office, store,  
3 warehouse, factory or other place of storage in  
4 this state and (a) the purchaser is the United  
5 States government or (b) the taxpayer is not  
6 doing business in the state of the destination of  
7 the shipment.

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

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

21 (4) In the case of an oil, gasoline or gas pipeline  
22 enterprise, the numerator of the fraction shall  
23 be either the total of traffic units of the  
24 enterprise within Oklahoma or the revenue

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

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

1           pursuant to the provisions of this subsection.

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

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

1 of the enterprise must attribute to Oklahoma only a reasonable  
2 portion thereof.

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

1 exemption from income pursuant to the provisions of this paragraph  
2 for a period not exceeding six (6) years following the year in which  
3 the investment was originally made.

4 For purposes of this paragraph:

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

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

18 (1) the processing of agricultural commodities,  
19 including receiving or storing agricultural  
20 commodities, or the production of milk at a dairy  
21 operation,

22 (2) transporting the agricultural commodities or  
23 product before, during or after the processing,  
24 or

1 (3) packaging or otherwise preparing the product for  
2 sale or shipment.

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

10 a. Sixty Thousand Dollars (\$60,000.00), or

11 b. the loss properly shown on Schedule F of the Internal  
12 Revenue Service Form 1040 reduced by one-half (1/2) of  
13 the income from all other sources other than reflected  
14 on Schedule F.

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

23 9. In taxable years beginning after December 31, 2005, an  
24 employer that is eligible for and utilizes the Safety Pays OSHA

1 Consultation Service provided by the Oklahoma Department of Labor  
2 shall receive an exemption from taxable income in the amount of One  
3 Thousand Dollars (\$1,000.00) for the tax year that the service is  
4 utilized.

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

23 Notwithstanding any other provisions of the Oklahoma Income Tax  
24 Act, Section 2351 et seq. of this title, or of the Internal Revenue

1 Code to the contrary, this subsection shall control calculation of  
2 depreciation of assets placed into service after December 31, 1981,  
3 and before January 1, 1983.

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

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

24

1 technology to qualified small businesses made prior to January 1,  
2 1988.

3 2. For purposes of this subsection:

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

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

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

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

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

20 c. "Transferor corporation" means a corporation which is  
21 the exclusive and undisputed owner of the technology  
22 at the time the transfer is made; and  
23  
24

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

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

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 the  
16           federal income tax return of the corporation, estate  
17           or trust that 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 corporation,  
21           estate or trust for a holding period of at least  
22           five (5) years prior to the date of the  
23           transaction from which such net capital gains  
24           arise,

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

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

20 b. "holding period" means an uninterrupted period of  
21 time. The holding period shall include any additional  
22 period when the property was held by another  
23 individual or entity, if such additional period is  
24

1 included in the taxpayer's holding period for the  
2 asset pursuant to the Internal Revenue Code,

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

9 d. "direct" means the taxpayer directly owns the asset,  
10 and

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

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

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

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

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

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

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 2. a. For taxable years beginning on or before December 31,  
16 2005, in the case of individuals who use the standard  
17 deduction in determining taxable income, there shall  
18 be added or deducted, as the case may be, the  
19 difference necessary to allow a standard deduction in  
20 lieu of the standard deduction allowed by the Internal  
21 Revenue Code, in an amount equal to the larger of  
22 fifteen percent (15%) of the Oklahoma adjusted gross  
23 income or One Thousand Dollars (\$1,000.00), but not to  
24 exceed Two Thousand Dollars (\$2,000.00), except that

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

7 b. For taxable years beginning on or after January 1,  
8 2006, and before January 1, 2007, in the case of  
9 individuals who use the standard deduction in  
10 determining taxable income, there shall be added or  
11 deducted, as the case may be, the difference necessary  
12 to allow a standard deduction in lieu of the standard  
13 deduction allowed by the Internal Revenue Code, in an  
14 amount equal to:

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

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

20 c. For the taxable year beginning on January 1, 2007, and  
21 ending December 31, 2007, in the case of individuals  
22 who use the standard deduction in determining taxable  
23 income, there shall be added or deducted, as the case  
24 may be, the difference necessary to allow a standard

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

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

6 (2) Four Thousand One Hundred Twenty-five Dollars  
7 (\$4,125.00) for a head of household; or

8 (3) Two Thousand Seven Hundred Fifty Dollars  
9 (\$2,750.00), if the filing status is single or  
10 married filing separate.

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

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

21 (2) Four Thousand Eight Hundred Seventy-five Dollars  
22 (\$4,875.00) for a head of household, or  
23  
24

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

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

11 (1) Eight Thousand Five Hundred Dollars (\$8,500.00),  
12 if the filing status is married filing joint or  
13 qualifying widow, or

14 (2) Six Thousand Three Hundred Seventy-five Dollars  
15 (\$6,375.00) for a head of household, or

16 (3) Four Thousand Two Hundred Fifty Dollars  
17 (\$4,250.00), if the filing status is single or  
18 married filing separate.

19 f. For taxable years beginning on or after January 1,  
20 2010, in the case of individuals who use the standard  
21 deduction in determining taxable income, there shall  
22 be added or deducted, as the case may be, the  
23 difference necessary to allow a standard deduction  
24 equal to the standard deduction allowed by the

1 Internal Revenue Code of 1986, as amended, based upon  
2 the amount and filing status prescribed by such Code  
3 for purposes of filing federal individual income tax  
4 returns.

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

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

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

6 5. a. Before July 1, 2010, the first One Thousand Five  
7 Hundred Dollars (\$1,500.00) received by any person  
8 from the United States as salary or compensation in  
9 any form, other than retirement benefits, as a member  
10 of any component of the Armed Forces of the United  
11 States shall be deducted from taxable income.

12 b. On or after July 1, 2010, and ending before January 1,  
13 2015, one hundred percent (100%) of the income  
14 received by any person from the United States as  
15 salary or compensation in any form, other than  
16 retirement benefits, as a member of any component of  
17 the Armed Forces of the United States shall be  
18 deducted from taxable income.

19 c. For the taxable year beginning on January 1, 2015, and  
20 every year thereafter, if the State Board of  
21 Equalization makes a determination pursuant to Section  
22 3 of this act that, for the purposes of this  
23 paragraph, revenue collections exceed revenue  
24 reductions, the one hundred percent (100%) deduction

1 provided for in subparagraph b of this paragraph may  
2 be claimed.

3 d. For the taxable year beginning on January 1, 2015, and  
4 every year thereafter, if the State Board of  
5 Equalization makes a determination pursuant to Section  
6 3 of this act that, for the purposes of this  
7 paragraph, revenue collections do not exceed revenue  
8 reductions, a deduction of the first One Thousand Five  
9 Hundred Dollars (\$1,500.00) received by any person  
10 from the United States as salary or compensation in  
11 any form, other than retirement benefits, as a member  
12 of any component of the Armed Forces of the United  
13 States shall be allowed.

14 e. Whenever the filing of a timely income tax return by a  
15 member of the Armed Forces of the United States is  
16 made impracticable or impossible of accomplishment by  
17 reason of:

18 (1) absence from the United States, which term  
19 includes only the states and the District of  
20 Columbia;

21 (2) absence from the State of Oklahoma while on  
22 active duty; or  
23  
24

1           (3) confinement in a hospital within the United  
2           States for treatment of wounds, injuries or  
3           disease,

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

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

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

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

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

4 6. Before July 1, 2010, the salary or any other form of  
5 compensation, received from the United States by a member of any  
6 component of the Armed Forces of the United States, shall be  
7 deducted from taxable income during the time in which the person is  
8 detained by the enemy in a conflict, is a prisoner of war or is  
9 missing in action and not deceased; provided, after July 1, 2010,  
10 all such salary or compensation shall be subject to the deduction as  
11 provided pursuant to paragraph 5 of this subsection.

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

1 dividend exclusion already allowed by the Internal Revenue Code and  
2 reflected in the taxpayer's Oklahoma taxable income together with  
3 exclusion allowed herein shall not exceed the total of One Hundred  
4 Dollars (\$100.00) per individual or Two Hundred Dollars (\$200.00)  
5 per couple filing a joint return.

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

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

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

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

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

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

1 retirement systems created by municipalities pursuant to Section 48-  
2 101 et seq. of Title 11 of the Oklahoma Statutes shall be exempt  
3 from taxable income.

4 10. In taxable years beginning after December 31, 1984, Social  
5 Security benefits received by an individual shall be exempt from  
6 taxable income, to the extent such benefits are included in the  
7 federal adjusted gross income pursuant to the provisions of Section  
8 86 of the Internal Revenue Code, 26 U.S.C., Section 86.

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

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

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

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

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

23  
24

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

1 property, except for a special needs child as  
2 authorized by the court.

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

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

21 (1) in taxable years beginning after December 31,  
22 2004, and prior to January 1, 2007, the  
23 qualifying amount shall be Thirty-seven Thousand  
24 Five Hundred Dollars (\$37,500.00) or less if the

1 filing status is single, head of household, or  
2 married filing separate, or Seventy-Five Thousand  
3 Dollars (\$75,000.00) or less if the filing status  
4 is married filing jointly or qualifying widow,

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

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

20 (4) in the taxable year beginning January 1, 2009,  
21 the qualifying amount shall be One Hundred  
22 Thousand Dollars (\$100,000.00) or less if the  
23 filing status is single, head of household, or  
24 married filing separate, or Two Hundred Thousand

1           Dollars (\$200,000.00) or less if the filing  
2           status is married filing jointly or qualifying  
3           widow, and

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

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

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

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

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

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

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

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

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

23 16. In taxable years beginning after December 31, 1999, for an  
24 individual engaged in production agriculture who has filed a

1 Schedule F form with the taxpayer's federal income tax return for  
2 such taxable year, there shall be excluded from taxable income any  
3 amount which was included as federal taxable income or federal  
4 adjusted gross income and which consists of the discharge of an  
5 obligation by a creditor of the taxpayer incurred to finance the  
6 production of agricultural products.

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

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

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

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

8 (2) for a taxpayer who elects to take a rollover or  
9 nonqualified 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 nonqualified 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 nonqualified withdrawal of  
24 contributions for which a deduction was taken pursuant

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

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

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

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

c. The Oklahoma Tax Commission shall promulgate rules to implement the provisions of this paragraph which shall contain a specific list of expenses which may be

1           presumed to qualify for the deduction. The Tax  
2           Commission shall prescribe necessary requirements for  
3           verification.

4           22. For taxable years beginning after December 31, 2008, there  
5 shall be exempt from taxable income any amount received by the  
6 beneficiary of the death benefit for an emergency medical technician  
7 provided by Section 1-2505.1 of Title 63 of the Oklahoma Statutes.

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

13           2. As used in this subsection:

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

19           (1) the sale of real property or tangible personal  
20           property located within Oklahoma that has been  
21           directly or indirectly owned by the individual  
22           taxpayer for a holding period of at least five  
23           (5) years prior to the date of the transaction  
24           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           G.   1.   For purposes of computing its Oklahoma taxable income  
13           under this section, the dividends-paid deduction otherwise allowed  
14           by federal law in computing net income of a real estate investment  
15           trust that is subject to federal income tax shall be added back in  
16           computing the tax imposed by this state under this title if the real  
17           estate investment trust is a captive real estate investment trust.

18           2.   For purposes of computing its Oklahoma taxable income under  
19           this section, a taxpayer shall add back otherwise deductible rents  
20           and interest expenses paid to a captive real estate investment trust  
21           that is not subject to the provisions of paragraph 1 of this  
22           subsection.   As used in this subsection:

1 a. the term "real estate investment trust" or "REIT"  
2 means the meaning ascribed to such term in Section 856  
3 of the Internal Revenue Code of 1986, as amended,

4 b. the term "captive real estate investment trust" means  
5 a real estate investment trust, the shares or  
6 beneficial interests of which are not regularly traded  
7 on an established securities market and more than  
8 fifty percent (50%) of the voting power or value of  
9 the beneficial interests or shares of which are owned  
10 or controlled, directly or indirectly, or  
11 constructively, by a single entity that is:

12 (1) treated as an association taxable as a  
13 corporation under the Internal Revenue Code of  
14 1986, as amended, and

15 (2) not exempt from federal income tax pursuant to  
16 the provisions of Section 501(a) of the Internal  
17 Revenue Code of 1986, as amended.

18 The term shall not include a real estate investment  
19 trust that is intended to be regularly traded on an  
20 established securities market, and that satisfies the  
21 requirements of Section 856(a)(5) and (6) of the U.S.  
22 Internal Revenue Code by reason of Section 856(h)(2)  
23 of the Internal Revenue Code,  
24

1           c.    the term "association taxable as a corporation" shall  
2           not include the following entities:

3           (1)   any real estate investment trust as defined in  
4           paragraph a of this subsection other than a  
5           "captive real estate investment trust", or

6           (2)   any qualified real estate investment trust  
7           subsidiary under Section 856(i) of the Internal  
8           Revenue Code of 1986, as amended, other than a  
9           qualified REIT subsidiary of a "captive real  
10          estate investment trust", or

11          (3)   any Listed Australian Property Trust (meaning an  
12          Australian unit trust registered as a "Managed  
13          Investment Scheme" under the Australian  
14          Corporations Act in which the principal class of  
15          units is listed on a recognized stock exchange in  
16          Australia and is regularly traded on an  
17          established securities market), or an entity  
18          organized as a trust, provided that a Listed  
19          Australian Property Trust owns or controls,  
20          directly or indirectly, seventy-five percent  
21          (75%) or more of the voting power or value of the  
22          beneficial interests or shares of such trust, or

23          (4)   any Qualified Foreign Entity, meaning a  
24          corporation, trust, association or partnership

1 organized outside the laws of the United States  
2 and which satisfies the following criteria:

3 (a) at least seventy-five percent (75%) of the  
4 entity's total asset value at the close of  
5 its taxable year is represented by real  
6 estate assets, as defined in Section  
7 856(c)(5)(B) of the Internal Revenue Code of  
8 1986, as amended, thereby including shares  
9 or certificates of beneficial interest in  
10 any real estate investment trust, cash and  
11 cash equivalents, and U.S. Government  
12 securities,

13 (b) the entity receives a dividend-paid  
14 deduction comparable to Section 561 of the  
15 Internal Revenue Code of 1986, as amended,  
16 or is exempt from entity level tax,

17 (c) the entity is required to distribute at  
18 least eighty-five percent (85%) of its  
19 taxable income, as computed in the  
20 jurisdiction in which it is organized, to  
21 the holders of its shares or certificates of  
22 beneficial interest on an annual basis,

23 (d) not more than ten percent (10%) of the  
24 voting power or value in such entity is held

1 directly or indirectly or constructively by  
2 a single entity or individual, or the shares  
3 or beneficial interests of such entity are  
4 regularly traded on an established  
5 securities market, and

6 (e) the entity is organized in a country which  
7 has a tax treaty with the United States.

8 3. For purposes of this subsection, the constructive ownership  
9 rules of Section 318(a) of the Internal Revenue Code of 1986, as  
10 amended, as modified by Section 856(d)(5) of the Internal Revenue  
11 Code of 1986, as amended, shall apply in determining the ownership  
12 of stock, assets, or net profits of any person.

13 4. A real estate investment trust that does not become  
14 regularly traded on an established securities market within one (1)  
15 year of the date on which it first becomes a real estate investment  
16 trust shall be deemed not to have been regularly traded on an  
17 established securities market, retroactive to the date it first  
18 became a real estate investment trust, and shall file an amended  
19 return reflecting such retroactive designation for any tax year or  
20 part year occurring during its initial year of status as a real  
21 estate investment trust. For purposes of this subsection, a real  
22 estate investment trust becomes a real estate investment trust on  
23 the first day it has both met the requirements of Section 856 of the  
24 Internal Revenue Code and has elected to be treated as a real estate

1 investment trust pursuant to Section 856(c)(1) of the Internal  
2 Revenue Code.

3 H. The Oklahoma taxable income of a corporation or the Oklahoma  
4 adjusted gross income of an individual shall be further adjusted as  
5 follows:

6 1. For taxable years beginning after December 31, 2010, there  
7 shall be exempt from taxable income one hundred percent (100%) of  
8 the income received by an Oklahoma resident registered with the  
9 Eastern Red Cedar Registry Board created in Section 4 of this act as  
10 an Eastern Red Cedar harvester or manufacturer resulting from the  
11 sale of Eastern Red Cedar trees or products derived from Eastern Red  
12 Cedar trees;

13 2. The exemption authorized by this subsection shall be in  
14 effect for a period of five (5) years beginning with the calendar  
15 year during which a person or lawfully recognized business entity is  
16 first registered with the Eastern Red Cedar Registry Board. The  
17 exemption shall not terminate if the entity claiming the exemption  
18 is a community-owned Eastern Red Cedar project which has been  
19 established in accordance with criteria established by the Eastern  
20 Red Cedar Registry Board created in Section 4 of this act; and

21 3. The exemption authorized by this subsection if available to  
22 a nonresident person or business entity shall equal fifty percent  
23 (50%) of the otherwise eligible exempt amount.

24

1 I. The Oklahoma taxable income of a corporation or the Oklahoma  
2 adjusted gross income of an individual shall be further adjusted as  
3 follows:

4 1. For taxable years beginning after December 31, 2010, there  
5 shall be exempt from taxable income one hundred percent (100%) of  
6 the amount invested by an Oklahoma resident registered with the  
7 Eastern Red Cedar Registry Board created in Section 4 of this act as  
8 an Eastern Red Cedar harvester or manufacturer for harvesting  
9 equipment, the construction of a manufacturing facility to be used  
10 for the processing of Eastern Red Cedar trees or products derived  
11 from Eastern Red Cedar trees, equipment used for fuel derived from  
12 Eastern Red Cedar trees, research costs related to the use of  
13 Eastern Red Cedar trees and derivative products, marketing expenses  
14 related to the promotion of Eastern Red Cedar trees and derivative  
15 products and any other business expense related to the sale of  
16 Eastern Red Cedar trees and derivative products to the extent such  
17 expense would be allowable as an ordinary and necessary expense  
18 pursuant to the Internal Revenue Code of 1986, as amended;

19 2. The exemption authorized by this subsection shall be in  
20 effect for a period of five (5) years beginning with the calendar  
21 year during which a person or lawfully recognized business entity is  
22 first registered with the Eastern Red Cedar Registry Board. The  
23 exemption shall not terminate if the entity claiming the exemption  
24 is a community-owned Eastern Red Cedar project which has been

1 established in accordance with criteria established by the Eastern  
2 Red Cedar Registry Board created in Section 4 of this act; and

3 3. The exemption authorized by this subsection if available to  
4 a nonresident person or business entity shall equal fifty percent  
5 (50%) of the otherwise eligible exempt amount.

6 SECTION 14. AMENDATORY Section 3, Chapter 340, O.S.L.  
7 2007 (74 O.S. Supp. 2009, Section 5009.12), is amended to read as  
8 follows:

9 Section 5009.12 A. There is hereby created within the Oklahoma  
10 Department of Commerce, the Oklahoma Bioenergy Center to serve as a  
11 strategic partnership that will focus the collective resources of  
12 contributing institutions in the field of bioenergy research to:

13 1. Strategically coordinate resources and research programs in  
14 Oklahoma to address and undertake complex research facing the  
15 biofuels and bioenergy industry in Oklahoma and in the nation;

16 2. Assist Oklahoma in being a recognized leader in the fields  
17 of research and production of biofuels, bioenergy and related  
18 biobased products;

19 3. Advance the research capacity in Oklahoma in the fields of  
20 biofuels and bioenergy development and production along the biofuel,  
21 bioenergy and biobased product production/value chain, from field to  
22 conversion to utilization;

23 4. Serve as a focal point and resource for the emerging  
24 agriculture-based biofuels and bioenergy industry in Oklahoma; and

1 5. Conduct research through its contributing institutions and  
2 partnerships to deliver practical outcomes to:

- 3 a. enable the competitive and sustainable production of  
4 liquid biofuels, including ethanol, in Oklahoma, and
- 5 b. contribute to the national research effort to enable  
6 the United States to achieve prescribed levels of  
7 petroleum independence.

8 B. The Department of Commerce shall assist the Center in  
9 fulfilling the responsibilities of this act, as requested by the  
10 Center.

11 C. For purposes of the Oklahoma Bioenergy Center Act, the term  
12 "biofuels" shall include fuels derived from cedar tree residue and  
13 cedar tree products.

14 SECTION 15. NEW LAW A new section of law to be codified  
15 in the Oklahoma Statutes as Section 801 of Title 17, unless there is  
16 created a duplication in numbering, reads as follows:

17 Sections 16 through 21 of this act shall be known and may be  
18 cited as the "Renewable Energy Standards Act".

19 SECTION 16. NEW LAW A new section of law to be codified  
20 in the Oklahoma Statutes as Section 802 of Title 17, unless there is  
21 created a duplication in numbering, reads as follows:

22 As used in the Renewable Energy Standards Act:

23 1. "Affected utility" means any electric utility subject to  
24 rate regulation by the Corporation Commission and any rural electric

1 cooperative, but shall not include any portion of any municipally  
2 owned or operated electric utility or the Grand River Dam Authority;

3 2. "Commission" means the Corporation Commission;

4 3. "Net renewable generation capacity" means the gross  
5 generation capacity of the renewable energy resource over a four-  
6 hour period when not limited by ambient conditions, equipment, or  
7 operating or regulatory restrictions, less auxiliary power required  
8 to operate the resource, and refers to resources located in the  
9 state or resources serving ratepayers in the state;

10 4. "Peak demand" means the demand imposed by the retail load of  
11 the affected utility in the state;

12 5. "Renewable energy credit" means a credit representing energy  
13 produced by renewable energy resources issued as part of a program  
14 that has been approved by the Commission; and

15 6. "Renewable energy resources" means net renewable generation  
16 capacity from:

- 17 a. wind,
- 18 b. solar thermal sources,
- 19 c. photovoltaic cells and panels,
- 20 d. dedicated crops grown for energy production,
- 21 e. cellulosic agricultural residues,
- 22 f. plant residues including cedar tree residues,
- 23 g. methane from landfills or from wastewater treatment,

24

- 1           h.    clean and untreated wood products such as cedar  
2                    pellets and wood pallets,  
3           i.    existing hydropower,  
4           j.    new hydropower, not including pumped storage, that has  
5                    a nameplate rating of ten (10) megawatts or less,  
6           k.    fuel cells using hydrogen produced by one of the  
7                    above-named renewable energy resources, and  
8           l.    other sources of energy, not including nuclear power,  
9                    that become available after the effective date of this  
10                   section, and that are certified as renewable by the  
11                   Commission pursuant to Section 21 of this act.

12           SECTION 17.        NEW LAW        A new section of law to be codified  
13 in the Oklahoma Statutes as Section 803 of Title 17, unless there is  
14 created a duplication in numbering, reads as follows:

15           A.    The Corporation Commission shall establish by rule a  
16 portfolio requirement for all affected utilities to generate or  
17 purchase electricity generated from renewable energy resources or  
18 purchase renewable energy credits. For the purposes of calculating  
19 the capacity from renewable energy credit purchases, the affected  
20 utility shall use its actual capacity factor from its owned  
21 renewable generation from the immediately previous calendar year.  
22 Renewable energy credits may only be used to meet a portion of  
23 portfolio requirements for the years 2011 and 2015, unless otherwise  
24 allowed by the Commission. The portfolio requirement shall provide

1 net renewable generation capacity that shall constitute the  
2 following portion of peak demand for each affected utility:

3 1. Not less than two percent (2%) of the peak demand of the  
4 affected utility for calendar years 2011 through 2015, based on the  
5 average demand of the prior three (3) years of each year's  
6 requirement; and

7 2. Not less than five percent (5%) of the peak demand of the  
8 affected utility for each calendar year beginning in 2020, based on  
9 the average demand of the prior three (3) years of each year's  
10 requirements.

11 B. The portfolio requirements described in subsection A of this  
12 section shall apply to all power sold to Oklahoma retail consumers  
13 whether the power is self-generated or purchased from another source  
14 in or outside of the state.

15 C. Each megawatt of eligible capacity in Oklahoma installed  
16 after January 1, \_\_\_\_\_, shall count as 1.10 megawatts for purposes  
17 of compliance.

18 D. The Commission shall promulgate rules required to implement  
19 the provisions of this section within twelve (12) months of the  
20 effective date of this act.

21 SECTION 18. NEW LAW A new section of law to be codified  
22 in the Oklahoma Statutes as Section 804 of Title 17, unless there is  
23 created a duplication in numbering, reads as follows:

24

1 The Corporation Commission shall allow affected utilities to  
2 recover reasonable costs incurred to meet the new renewable energy  
3 resource requirements required in the Renewable Energy Standards  
4 Act.

5 SECTION 19. NEW LAW A new section of law to be codified  
6 in the Oklahoma Statutes as Section 805 of Title 17, unless there is  
7 created a duplication in numbering, reads as follows:

8 For each affected utility, the Corporation Commission shall  
9 determine whether investment in renewable energy resources required  
10 to meet the renewable portfolio requirement, as required by Section  
11 17 of this act, causes the total revenue requirement of the affected  
12 utility to increase one percent (1%) or greater. The retail rate  
13 impact shall be determined net of new nonrenewable alternative  
14 sources of electricity supply reasonably available at the time of  
15 the determination.

16 SECTION 20. NEW LAW A new section of law to be codified  
17 in the Oklahoma Statutes as Section 806 of Title 17, unless there is  
18 created a duplication in numbering, reads as follows:

19 A. The Corporation Commission shall promulgate rules  
20 establishing reporting and enforcement mechanisms necessary to  
21 ensure that each affected utility complies with the renewable energy  
22 standard and other provisions governing the imposition of  
23 administrative penalties assessed after a hearing held by the  
24 Commission. Administrative penalties shall be set at a level that

1 will promote compliance with the Renewable Energy Standards Act, and  
2 shall not be limited to penalties as otherwise provided for in law.

3 B. For the calendar years 2011 and 2012, the Commission shall  
4 not assess penalties if the affected utility can demonstrate it made  
5 a good-faith effort to comply with the portfolio standards  
6 requirement. The Commission shall exempt an affected utility from  
7 administrative penalties for an individual compliance year if the  
8 utility demonstrates that the retail rate impact described in  
9 Section 19 of this act has been reached or exceeded and the utility  
10 has not achieved full compliance with Section 17 of this act. In  
11 imposing penalties, the Commission shall have discretion to consider  
12 mitigating circumstances. Under no circumstances shall the costs of  
13 administrative penalties be recovered from Oklahoma retail  
14 customers.

15 C. The Commission shall promulgate rules required to implement  
16 the provisions of this section within twelve (12) months of the  
17 effective date of this act.

18 SECTION 21. NEW LAW A new section of law to be codified  
19 in the Oklahoma Statutes as Section 807 of Title 17, unless there is  
20 created a duplication in numbering, reads as follows:

21 A. The Corporation Commission shall establish a process for the  
22 administration of a certification process for other renewable energy  
23 resources as described in subparagraph 1 of paragraph 6 of Section  
24 16 of this act, for purposes of fulfilling the requirements of

1 Section 17 of this act. Criteria for the certification process  
2 shall be determined by factors that include, but are not limited to,  
3 fuel type, technology and the environmental impacts of the other  
4 renewable energy resources. Use of other renewable energy resources  
5 described in subparagraph 1 of paragraph 6 of Section 16 of this  
6 act, shall not cause undue or adverse air, water or land use  
7 impacts.

8 B. The Commission shall promulgate rules required to implement  
9 the provisions of this section within twelve (12) months of the  
10 effective date of this act.

11 SECTION 22. This act shall become effective July 1, 2010.

12 SECTION 23. It being immediately necessary for the preservation  
13 of the public peace, health and safety, an emergency is hereby  
14 declared to exist, by reason whereof this act shall take effect and  
15 be in full force from and after its passage and approval.

16

17 52-2-8281 KB 01/12/10

18

19

20

21

22

23

24