

1 ENGROSSED SENATE
2 BILL NO. 517

By: Mazzei of the Senate

3 and

4 Dank of the House

5
6
7 [tax credits, exemptions and deductions - limiting
8 time period credit exemption or deduction may be
9 claimed - effective date]

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

11 SECTION 1. AMENDATORY 27A O.S. 2001, Section 2-11-303,
12 as amended by Section 2, Chapter 327, O.S.L. 2010 (27A O.S. Supp.
13 2010, Section 2-11-303), is amended to read as follows:

14 Section 2-11-303. A. Except as otherwise provided in
15 subsection C of this section, before January 1, 2014, any person,
16 firm, corporation or other legal entity engaged, or proposing to
17 engage, in the recycling, reuse or source reduction of any hazardous
18 waste, the processing of which is certified as provided in Section
19 2-11-305 of this title, shall be entitled to a one-time credit
20 against its income tax liability, as provided in Section 2-11-304 of
21 this title, of not to exceed twenty percent (20%) of the net
22 investment cost of equipment and installation of processes used for
23 the recycling, reuse, or source reduction of hazardous waste.

24 Provided, that:

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

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

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

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

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

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

16 C. No credit otherwise authorized by the provisions of this
17 section may be claimed for any event, transaction, investment,
18 expenditure or other act occurring on or after July 1, 2010, for
19 which the credit would otherwise be allowable. The provisions of
20 this subsection shall cease to be operative on July 1, 2012.

21 Beginning July 1, 2012, the credit authorized by this section may be
22 claimed for any event, transaction, investment, expenditure or other
23 act occurring on or after July 1, 2012, according to the provisions
24 of this section.

1 SECTION 2. AMENDATORY 68 O.S. 2001, Section 2357, as
2 last amended by Section 3, Chapter 327, O.S.L. 2010 (68 O.S. Supp.
3 2010, Section 2357), is amended to read as follows:

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

6 B. 1. There shall be allowed as a credit against the tax
7 imposed by Section 2355 of this title the amount of tax paid another
8 state by a resident individual, as defined in paragraph 4 of Section
9 2353 of this title, upon income received as compensation for
10 personal services in such other state; provided, such credit shall
11 not be allowed with respect to any income specified in Section 114
12 of Title 4 of the United States Code, 4 U.S.C., Section 114, upon
13 which a state is prohibited from imposing an income tax. The credit
14 shall not exceed such proportion of the tax payable under Section
15 2355 of this title as the compensation for personal services subject
16 to tax in the other state and also taxable under Section 2355 of
17 this title bears to the Oklahoma adjusted gross income as defined in
18 paragraph 13 of Section 2353 of this title.

19 2. For tax years beginning after December 31, 2007, there shall
20 be allowed to a resident individual or part-year resident individual
21 or nonresident individual member of the Armed Forces as a credit
22 against the tax imposed by Section 2355 of this title twenty percent
23 (20%) of the credit for child care expenses allowed under the
24 Internal Revenue Code of the United States or five percent (5%) of

1 the child tax credit allowed under the Internal Revenue Code,
2 whichever amount is greater. Neither credit authorized by this
3 paragraph shall exceed the tax imposed by Section 2355 of this
4 title. The maximum child care credit allowable on the Oklahoma
5 income tax return shall be prorated on the ratio that Oklahoma
6 adjusted gross income bears to the federal adjusted gross income.
7 The credit authorized by this paragraph shall not be claimed by any
8 taxpayer if the federal adjusted gross income reflected on the
9 Oklahoma return for the taxpayer is in excess of One Hundred
10 Thousand Dollars (\$100,000.00).

11 C. 1. Except as otherwise provided by paragraph 3 of this
12 subsection, before January 1, 2014, every taxpayer who operates a
13 manufacturing establishment in the state shall be allowed a direct
14 credit against income taxes owed by such taxpayer to the state, the
15 amount of which credit shall be proportioned to the amount of gas
16 used or consumed in Oklahoma by such taxpayer in the operation of a
17 manufacturing establishment, at a rate of three (3) mills per
18 thousand (1,000) cubic feet of gas used or consumed after May 1,
19 1971, and during each taxable year of such taxpayer provided that
20 the credit allowed herein shall not apply to the first twenty-five
21 thousand (25,000) MCF of gas used or gas used to generate
22 electricity or consumed after May 1, 1971, and during each taxable
23 year of such taxpayer.

24 2. As used in this subsection:

1 a. "manufacturing establishment" means a plant or
2 establishment which engages in the business of working
3 raw materials into wares suitable for use or which
4 gives new shapes, new qualities or new combinations to
5 matter which has already gone through some artificial
6 process,

7 b. "gas used or consumed" shall include all natural or
8 casinghead gas used in the operation of the
9 manufacturing establishment for whatever purposes, but
10 shall not include the following:

11 (1) gas which, after being severed from the earth, is
12 subsequently injected into a formation in the
13 state for the purpose of storing, recycling,
14 repressuring or pressure maintenance,

15 (2) gas vented or flared directly into the
16 atmosphere,

17 (3) gas used for fuel in connection with the
18 operation and development for or production of
19 oil or gas in the field where produced, and

20 (4) gas, any part of which is resold by the
21 manufacturing establishment, except as to that
22 part and quantity of the gas which is actually
23 used by the establishment and not resold, and
24

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

7 3. No credit otherwise authorized by the provisions of this
8 subsection may be claimed for any event, transaction, investment,
9 expenditure or other act occurring on or after July 1, 2010, for
10 which the credit would otherwise be allowable. The provisions of
11 this paragraph shall cease to be operative on July 1, 2012.
12 Beginning July 1, 2012, the credit authorized by this subsection may
13 be claimed for any event, transaction, investment, expenditure or
14 other act occurring on or after July 1, 2012, according to the
15 provisions of this subsection.

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

20 1. Those credits provided in this section; and

21 2. Those credits authorized by Sections 2-5-101 through 2-5-118
22 of Title 27A of the Oklahoma Statutes, which have been, or may
23 hereafter be, certified pursuant to applications therefor made on or
24 before March 22, 1971. Provided, the total amount of the credits

1 referred to in this subparagraph to be taken by the taxpayer shall
2 not exceed the certified net investment cost of the facilities or
3 processes to which such credits pertain, reduced by the greater of:

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

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

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

18 SECTION 3. AMENDATORY 68 O.S. 2001, Section 2357.6, as
19 amended by Section 5, Chapter 327, O.S.L. 2010 (68 O.S. Supp. 2010,
20 Section 2357.6), is amended to read as follows:

21 Section 2357.6. A. Any person or corporation may contribute
22 monies to the Energy Conservation Assistance Fund. Except as
23 otherwise provided in subsection B of this section, before January
24 1, 2014, such contributions shall be entitled to an income tax

1 credit against the state personal or corporate income tax liability
2 of fifty percent (50%) of the amount contributed to the fund for the
3 taxable year in which it was made.

4 B. No credit otherwise authorized by the provisions of this
5 section may be claimed for any event, transaction, investment,
6 expenditure or other act occurring on or after July 1, 2010, for
7 which the credit would otherwise be allowable. The provisions of
8 this subsection shall cease to be operative on July 1, 2012.

9 Beginning July 1, 2012, the credit authorized by this section may be
10 claimed for any event, transaction, investment, expenditure or other
11 act occurring on or after July 1, 2012, according to the provisions
12 of this section.

13 SECTION 4. AMENDATORY 68 O.S. 2001, Section 2357.11, as
14 last amended by Section 1, Chapter 361, O.S.L. 2010 (68 O.S. Supp.
15 2010, Section 2357.11), is amended to read as follows:

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

20 B. 1. Except as provided in subsection M of this section, for
21 tax years beginning on or after January 1, 1993, and ending on or
22 before December 31, 2014, there shall be allowed a credit against
23 the tax imposed by Section 1803 or Section 2355 of this title or
24 Section 624 or 628 of Title 36 of the Oklahoma Statutes for every

1 person in this state furnishing water, heat, light or power to the
2 state or its citizens, or for every person in this state burning
3 coal to generate heat, light or power for use in manufacturing
4 operations located in this state.

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

10 3. For the period of July 1, 2006 through December 31, 2006,
11 and for tax years beginning on or after January 1, 2007, and ending
12 on or before December 31, 2014, the credit shall be in the amount of
13 Two Dollars and eighty-five cents (\$2.85) per ton for each ton of
14 Oklahoma-mined coal purchased by such person.

15 4. In addition to the credit allowed pursuant to the provisions
16 of paragraph 3 of this subsection, for the period of July 1, 2006,
17 through December 31, 2006, and except as provided in subsection M of
18 this section, for tax years beginning on or after January 1, 2007,
19 and ending on or before December 31, 2014, there shall be allowed a
20 credit in the amount of Two Dollars and fifteen cents (\$2.15) per
21 ton for each ton of Oklahoma-mined coal purchased by such person.
22 The credit allowed pursuant to the provisions of this paragraph may
23 not be claimed or transferred prior to January 1, 2008.

24

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

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

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

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

16 D. Except as otherwise provided in subsection E of this section
17 and in subsection M of this section, for tax years beginning on or
18 after January 1, 2001, and ending on or before December 31, 2013,
19 there shall be allowed a credit against the tax imposed by Section
20 1803 or Section 2355 of this title or Section 624 or 628 of Title 36
21 of the Oklahoma Statutes for every person in this state primarily
22 engaged in mining, producing or extracting coal, and holding a valid
23 permit issued by the Oklahoma Department of Mines. For tax years
24 beginning on or after January 1, 2001, and ending on or before

1 December 31, 2005, and for the period beginning January 1, 2006,
2 through June 30, 2006, the credit shall be in the amount of ninety-
3 five cents (\$0.95) per ton and for the period of July 1, 2006,
4 through December 31, 2006, and for tax years beginning on or after
5 January 1, 2007, the credit shall be in the amount of Five Dollars
6 (\$5.00) for each ton of coal mined, produced or extracted in on,
7 under or through a permit in this state by such person.

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

23 F. In addition to the credit allowed pursuant to the provisions
24 of subsection D of this section and except as otherwise provided in

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

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

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

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

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

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

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

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

23 L. Any credits allowed pursuant to the provisions of
24 subsections B, C, D, E and F of this section but not used in any tax

1 year may be carried over in order to each of the five (5) years
2 following the year of qualification.

3 M. No credit otherwise authorized by the provisions of this
4 section may be claimed for any event, transaction, investment,
5 expenditure or other act occurring on or after July 1, 2010, for
6 which the credit would otherwise be allowable. The provisions of
7 this subsection shall cease to be operative on July 1, 2012.
8 Beginning July 1, 2012, the credit authorized by this section may be
9 claimed for any event, transaction, investment, expenditure or other
10 act occurring on or after July 1, 2012, according to the provisions
11 of this section.

12 SECTION 5. AMENDATORY 68 O.S. 2001, Section 2357.26, as
13 last amended by Section 8, Chapter 327, O.S.L. 2010 (68 O.S. Supp.
14 2010, Section 2357.26), is amended to read as follows:

15 Section 2357.26. A. Except as otherwise provided by subsection
16 G of this section, for tax years beginning after December 31, 2001,
17 and ending before January 1, 2014, there shall be allowed a credit
18 against the tax imposed by Section 2355 of this title for employers
19 incurring eligible expenses in connection with the provision of
20 child care services.

21 B. As used in this section:

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

23 a. the purchase of qualifying child care services that
24 are actually provided to children of employees, at a

1 program licensed by the Department of Human Services
2 with a rating of two stars or higher pursuant to rules
3 promulgated by the Department, at a:

4 (1) child care center, or

5 (2) family child care home,

6 b. planning, preparing a site and constructing a child
7 care center,

8 c. renovating or remodeling a structure to be used for a
9 child care center,

10 d. purchasing equipment necessary for use by a child care
11 center,

12 e. expanding a child care center,

13 f. maintaining and operating a child care center,
14 including paying direct administrative and staff
15 costs,

16 g. purchasing child care slots actually provided or
17 reserved for children of employees, or

18 h. fees and grants provided to child care resource and
19 referral organizations doing business within this
20 state; and

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

1 C. In lieu of a deduction from taxable income, the credit
2 allowed by subsection A of this section shall be twenty percent
3 (20%) of the amount of eligible expenses.

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

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

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

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

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

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

23 G. No credit otherwise authorized by the provisions of this
24 section may be claimed for any event, transaction, investment,

1 expenditure or other act occurring on or after July 1, 2010, for
2 which the credit would otherwise be allowable. The provisions of
3 this subsection shall cease to be operative on July 1, 2012.
4 Beginning July 1, 2012, the credit authorized by this section may be
5 claimed for any event, transaction, investment, expenditure or other
6 act occurring on or after July 1, 2012, according to the provisions
7 of this section.

8 SECTION 6. AMENDATORY 68 O.S. 2001, Section 2357.27, as
9 last amended by Section 9, Chapter 327, O.S.L. 2010 (68 O.S. Supp.
10 2010, Section 2357.27), is amended to read as follows:

11 Section 2357.27. A. Except as otherwise provided by subsection
12 E of this section, for tax years beginning after December 31, 1998,
13 and ending before January 1, 2014, there shall be allowed a credit
14 against the tax imposed by Section 2355 of this title for eligible
15 expenses incurred by entities primarily engaged in the business of
16 providing child care services.

17 B. As used in this section, "eligible expenses" means amounts
18 paid by an entity primarily engaged in the business of providing
19 child care services for expenses incurred by the entity to comply
20 with the standards promulgated by a national accrediting association
21 recognized by the Department of Human Services and which would not
22 have been incurred by the entity to comply with the Oklahoma Child
23 Care Facilities Licensing Act.

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

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

8 E. No credit otherwise authorized by the provisions of this
9 section may be claimed for any event, transaction, investment,
10 expenditure or other act occurring on or after July 1, 2010, for
11 which the credit would otherwise be allowable. The provisions of
12 this subsection shall cease to be operative on July 1, 2012.
13 Beginning July 1, 2012, the credit authorized by this section may be
14 claimed for any event, transaction, investment, expenditure or other
15 act occurring on or after July 1, 2012, according to the provisions
16 of this section.

17 SECTION 7. AMENDATORY 68 O.S. 2001, Section 2357.30, as
18 amended by Section 10, Chapter 327, O.S.L. 2010 (68 O.S. Supp. 2010,
19 Section 2357.30), is amended to read as follows:

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

1 B. Except as otherwise provided in subsection E of this
2 section, for taxable years beginning after December 31, 1998, and
3 ending before January 1, 2014, every small business operating within
4 this state shall be entitled to claim as a credit against the tax
5 imposed by Section 2355 of Title 68 of the Oklahoma Statutes,
6 subject to the limitations provided by subsection C of this section,
7 any amount paid to the U.S. Small Business Administration as a
8 guaranty fee pursuant to the obtaining of financing guaranteed by
9 the Small Business Administration.

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

20 D. If the credit authorized by this section exceeds the amount
21 of income taxes due or if there are no state income taxes due on the
22 income of the taxpayer as computed pursuant to the provisions of
23 subsection C of this section, the amount of the credit not used may
24 be carried forward as a credit against subsequent income tax

1 liability for a period not to exceed five (5) years. The credit
2 shall be claimable only by the small business which is the primary
3 obligor in the financing transaction and which actually paid the
4 guaranty fee.

5 E. No credit otherwise authorized by the provisions of this
6 section may be claimed for any event, transaction, investment,
7 expenditure or other act occurring on or after July 1, 2010, for
8 which the credit would otherwise be allowable. The provisions of
9 this subsection shall cease to be operative on July 1, 2012.

10 Beginning July 1, 2012, the credit authorized by this section may be
11 claimed for any event, transaction, investment, expenditure or other
12 act occurring on or after July 1, 2012, according to the provisions
13 of this section.

14 SECTION 8. AMENDATORY 68 O.S. 2001, Section 2357.33, as
15 last amended by Section 13, Chapter 327, O.S.L. 2010 (68 O.S. Supp.
16 2010, Section 2357.33), is amended to read as follows:

17 Section 2357.33. A. Except as otherwise provided by subsection
18 E of this section, for taxable years beginning after December 31,
19 1999, and ending before January 1, 2014, there shall be allowed a
20 credit against the tax imposed by Section 2355 of this title for
21 amounts paid by a taxpayer operating one or more food service
22 establishments for immunizations against Hepatitis A for employees
23 of the taxpayer who work in such establishments.

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1 B. As used in this section, "food service establishment" means
2 an establishment where food or drink is offered for sale or sold to
3 the public and which is licensed pursuant to the provisions of
4 Section 1-1118 of Title 63 of the Oklahoma Statutes.

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

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

14 E. No credit otherwise authorized by the provisions of this
15 section may be claimed for any event, transaction, investment,
16 expenditure or other act occurring on or after July 1, 2010, for
17 which the credit would otherwise be allowable. The provisions of
18 this subsection shall cease to be operative on July 1, 2012.
19 Beginning July 1, 2012, the credit authorized by this section may be
20 claimed for any event, transaction, investment, expenditure or other
21 act occurring on or after July 1, 2012, according to the provisions
22 of this section.

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1 SECTION 9. AMENDATORY 68 O.S. 2001, Section 2357.41, as
2 last amended by Section 5, Chapter 418, O.S.L. 2010 (68 O.S. Supp.
3 2010, Section 2357.41), is amended to read as follows:

4 Section 2357.41. A. Except as otherwise provided by subsection
5 I of this section, for tax years beginning after December 31, 2000,
6 and ending before January 1, 2014, there shall be allowed a credit
7 against the tax imposed by Sections 2355 and 2370 of this title or
8 that portion of the tax imposed by Section 624 or 628 of Title 36 of
9 the Oklahoma Statutes that would otherwise have been apportioned to
10 the General Revenue Fund for qualified rehabilitation expenditures
11 incurred in connection with any certified historic hotel or historic
12 newspaper plant building located in an increment or incentive
13 district created pursuant to the Local Development Act or for
14 qualified rehabilitation expenditures incurred after January 1,
15 2006, in connection with any certified historic structure.

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

24

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

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

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

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

1 credit was transferred. The provisions of this subsection shall not
2 limit the ability of a tax credit transferee to reduce the tax
3 liability of the transferee regardless of the actual tax liability
4 of the tax credit transferor for the relevant taxable period. The
5 transferor of the credit and the transferee shall jointly file a
6 copy of the written credit transfer agreement with the Oklahoma Tax
7 Commission within thirty (30) days of the transfer. Such filing of
8 the written credit transfer agreement with the Oklahoma Tax
9 Commission shall perfect such transfer. The written agreement shall
10 contain the name, address and taxpayer identification number of the
11 parties to the transfer, the amount of credit being transferred, the
12 year the credit was originally allowed to the transferor, the tax
13 year or years for which the credit may be claimed, and a
14 representation by the transferor that the transferor has neither
15 claimed for its own behalf nor conveyed such credits to any other
16 transferee. The Tax Commission shall develop a standard form for
17 use by subsequent transferees of the credit demonstrating
18 eligibility for the transferee to reduce its applicable tax
19 liabilities resulting from ownership of the credit. The Tax
20 Commission shall develop a system to record and track the transfers
21 of the credit and certify the ownership of the credit and may
22 promulgate rules to permit verification of the validity and
23 timeliness of a tax credit claimed upon a tax return pursuant to
24

1 this subsection but shall not promulgate any rules which unduly
2 restrict or hinder the transfers of such tax credit.

3 G. Notwithstanding any other provisions in this section, on or
4 after January 1, 2009, if a credit allowed pursuant to this section
5 which has been transferred is subsequently reduced as the result of
6 an adjustment by the Internal Revenue Service, Tax Commission, or
7 any other applicable government agency, only the transferor
8 originally allowed the credit and not any subsequent transferee of
9 the credit, shall be held liable to repay any amount of disallowed
10 credit.

11 H. As used in this section:

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

16 2. "Certified historic structure" means a building that is
17 listed on the National Register of Historic Places within thirty
18 (30) months of taking the credit pursuant to this section or a
19 building located in Oklahoma which is certified by the State
20 Historic Preservation Office as contributing to the historic
21 significance of a certified historic district listed on the National
22 Register of Historic Places, or a local district that has been
23 certified by the State Historic Preservation Office as eligible for
24 listing in the National Register of Historic Places; and

1 3. "Qualified rehabilitation expenditures" means capital
2 expenditures that qualify for the federal rehabilitation credit
3 provided in Section 47 of Title 26 of the United States Code and
4 that were paid after December 31, 2000. Qualified rehabilitation
5 expenditures do not include capital expenditures for nonhistoric
6 additions except an addition that is required by state or federal
7 regulations that relate to safety or accessibility. In addition,
8 qualified rehabilitation expenditures do not include expenditures
9 related to the cost of acquisition of the property.

10 I. No credit otherwise authorized by the provisions of this
11 section may be claimed for any event, transaction, investment,
12 expenditure or other act occurring on or after July 1, 2010, for
13 which the credit would otherwise be allowable until the provisions
14 of this subsection shall cease to be operative on July 1, 2012.
15 Beginning July 1, 2012, the credit authorized by this section may be
16 claimed for any event, transaction, investment, expenditure or other
17 act occurring on or after July 1, 2010, according to the provisions
18 of this section. Any tax credits which accrue during the period of
19 July 1, 2010, through June 30, 2012, may not be claimed for any
20 period prior to the taxable year beginning January 1, 2012. No
21 credits which accrue during the period of July 1, 2010, through June
22 30, 2012, may be used to file an amended tax return for any taxable
23 year prior to the taxable year beginning January 1, 2012.

1 SECTION 10. AMENDATORY Section 19, Chapter 472, O.S.L.
2 2003, as last amended by Section 1, Chapter 265, O.S.L. 2010 (68
3 O.S. Supp. 2010, Section 2357.45), is amended to read as follows:

4 Section 2357.45. A. 1. For tax years beginning after December
5 31, 2004, and ending before January 1, 2014, there shall be allowed
6 against the tax imposed by Section 2355 of this title, a credit for
7 any taxpayer who makes a donation to an independent biomedical
8 research institute and for tax years beginning after December 31,
9 2010, and ending before January 1, 2014, a credit for any taxpayer
10 who makes a donation to a cancer research institute.

11 2. The credit authorized by paragraph 1 of this subsection
12 shall be limited as follows:

13 a. for calendar year 2007 and all subsequent years, the
14 credit percentage, not to exceed fifty percent (50%),
15 shall be adjusted annually so that the total estimate
16 of the credits does not exceed Two Million Dollars
17 (\$2,000,000.00) annually. The formula to be used for
18 the percentage adjusted shall be fifty percent (50%)
19 times One Million Dollars (\$1,000,000.00) divided by
20 the credits claimed in the preceding year for each
21 donation to an independent biomedical research
22 institute and fifty percent (50%) times One Million
23 Dollars (\$1,000,000.00) divided by the credits claimed

24

1 in the preceding year for each donation to a cancer
2 research institute,

3 b. in no event shall a taxpayer claim more than one
4 credit for a donation to any independent biomedical
5 research institute and one credit for a donation to a
6 cancer research institute in each taxable year nor
7 shall the credit exceed One Thousand Dollars
8 (\$1,000.00) for each taxpayer for each type of
9 donation,

10 c. for tax year 2011, no more than Fifty Thousand Dollars
11 (\$50,000.00) in total tax credits for donations to a
12 cancer research institute shall be allowed,

13 d. in no event shall more than fifty percent (50%) of the
14 Two Million Dollars (\$2,000,000.00) in total tax
15 credits authorized by this section, for any calendar
16 year after ~~the effective date of this act~~ January 1,
17 2011, be allocated for credits for donations to a
18 cancer research institute, and

19 e. in the event the total tax credits authorized by this
20 section exceed One Million Dollars (\$1,000,000.00) in
21 any calendar year for either a cancer research
22 institute or an independent biomedical research
23 institute, the Oklahoma Tax Commission shall permit
24 any excess over One Million Dollars (\$1,000,000.00)

1 but shall factor such excess into the percentage
2 adjustment formula for subsequent years for that type
3 of donation. However, any such adjustment to the
4 formula for donations to an independent biomedical
5 research institute shall not affect the formula for
6 donations to a cancer research institute, and any such
7 adjustment to the formula for donations to a cancer
8 research institute shall not affect the formula for
9 donations to an independent biomedical research
10 institute.

11 3. For purposes of this section, "independent biomedical
12 research institute" means an organization which is exempt from
13 taxation pursuant to the provisions of Section 501(c)(3) of the
14 Internal Revenue Code, 26 U.S.C., Section 501(c)(3) whose primary
15 focus is conducting peer-reviewed basic biomedical research. The
16 organization shall:

- 17 a. have a board of directors,
- 18 b. be able to accept grants in its own name,
- 19 c. be an identifiable institute that has its own
20 employees and administrative staff, and
- 21 d. receive at least Fifteen Million Dollars
22 (\$15,000,000.00) in National Institute of Health
23 funding each year.

1 4. For purposes of this section, "cancer research institute"
2 means an organization which is exempt from taxation pursuant to the
3 Internal Revenue Code and whose primary focus is raising the
4 standard of cancer clinical care in Oklahoma through peer-reviewed
5 cancer research and education or a not-for-profit supporting
6 organization, as that term is defined by the Internal Revenue Code,
7 affiliated with a tax-exempt organization whose primary focus is
8 raising the standard of cancer clinical care in Oklahoma through
9 peer-reviewed cancer research and education. The tax-exempt
10 organization whose primary focus is raising the standard of cancer
11 clinical care in Oklahoma through peer-reviewed cancer research and
12 education shall:

13 a. either be an independent research institute or a
14 program that is part of a state university which is a
15 member of The Oklahoma State System of Higher
16 Education, and

17 b. receive at least Four Million Dollars (\$4,000,000.00)
18 in National Cancer Institute funding each year.

19 B. In no event shall the amount of the credit exceed the amount
20 of any tax liability of the taxpayer.

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

24

1 D. The Tax Commission shall have the authority to prescribe
2 forms for purposes of claiming the credit authorized by this
3 section.

4 SECTION 11. AMENDATORY Section 1, Chapter 439, O.S.L.
5 2005, as last amended by Section 15, Chapter 327, O.S.L. 2010 (68
6 O.S. Supp. 2010, Section 2357.46), is amended to read as follows:

7 Section 2357.46. A. Except as otherwise provided by subsection
8 G of this section, for tax years beginning after December 31, 2005,
9 and ending before January 1, 2014, there shall be allowed a credit
10 against the tax imposed by Section 2355 of Title 68 of Oklahoma
11 Statutes for eligible expenditures incurred by a contractor in the
12 construction of energy efficient residential property of two
13 thousand (2,000) square feet or less. The amount of the credit
14 shall be based upon the following:

15 1. For any eligible energy efficient residential property
16 constructed and certified as forty percent (40%) or more above the
17 International Energy Conservation Code 2003 and any supplement in
18 effect at the time of completion, the amount of the credit shall be
19 equal to the eligible expenses, not to exceed Four Thousand Dollars
20 (\$4,000.00) for the taxpayer who is the contractor; and

21 2. For any eligible energy efficient residential property
22 constructed and certified as between twenty percent (20%) and
23 thirty-nine percent (39%) above the International Energy
24 Conservation Code 2003 and any supplement in effect at the time of

1 completion, the credit shall be equal to the eligible expenditures,
2 not to exceed Two Thousand Dollars (\$2,000.00) for the taxpayer who
3 is the contractor.

4 B. As used in this section:

5 1. "Eligible expenditure" means any:

6 a. energy efficient heating or cooling system,

7 b. insulation material or system which is specifically

8 and primarily designed to reduce the heat gain or loss

9 of a residential property when installed in or on such

10 property,

11 c. exterior windows, including skylights,

12 d. exterior doors, and

13 e. any metal roof installed on a residential property,

14 but only if such roof has appropriate pigmented

15 coatings which are specifically and primarily designed

16 to reduce the heat gain of such dwelling unit and

17 which meet Energy Star program requirements;

18 2. "Contractor" means the taxpayer who constructed the

19 residential property or manufactured home, or if more than one

20 taxpayer qualifies as the contractor, the primary contractor; and

21 3. "Eligible energy efficient residential property" means a

22 newly constructed residential property or manufactured home property

23 which is located in the State of Oklahoma and substantially complete

24

1 after December 31, 2005, and which is two thousand (2,000) square
2 feet or less:

3 a. for the credit provided pursuant to paragraph 1 of
4 subsection A of this section, which is certified by an
5 accredited Residential Energy Services Network
6 Provider using the Home Energy Rating System to have:

7 (1) a level of annual heating and cooling energy
8 consumption which is at least forty percent (40%)
9 below the annual level of heating and cooling
10 energy consumption of a comparable residential
11 property constructed in accordance with the
12 standards of Chapter 4 of the 2003 International
13 Energy Conservation Code, as such code is in
14 effect on ~~the effective date of this act~~ November
15 1, 2005,

16 (2) heating and cooling equipment efficiencies which
17 correspond to the minimum allowed under the
18 regulations established by the Department of
19 Energy pursuant to the National Appliance Energy
20 Conservation Act of 1987 and in effect at the
21 time of construction of the property, and

22 (3) building envelope component improvements which
23 account for at least one-fifth of the reduced
24

1 annual heating and cooling energy consumption
2 levels,

3 b. for the credit provided pursuant to paragraph 2 of
4 subsection A of this section, which is certified by an
5 accredited Residential Energy Services Network
6 Provider using the Home Energy Rating System to have:

7 (1) a level of annual heating and cooling energy
8 consumption which is between twenty percent (20%)
9 and thirty-nine percent (39%) below the annual
10 level of heating and cooling energy consumption
11 of a comparable residential property constructed
12 in accordance with the standards of Chapter 4 of
13 the 2003 International Energy Conservation Code,
14 as such code is in effect on ~~the effective date~~
15 ~~of this act~~ November 1, 2005,

16 (2) heating and cooling equipment efficiencies which
17 correspond to the minimum allowed under the
18 regulations established by the Department of
19 Energy pursuant to the National Appliance Energy
20 Conservation Act of 1987 and in effect at the
21 time of construction of the property, and

22 (3) building envelope component improvements which
23 account for at least one-third of the reduced
24

1 annual heating and cooling energy consumption
2 levels.

3 C. The credit provided for in subsection A of this section may
4 only be claimed once for the contractor of any eligible residential
5 energy efficient property during the taxable year when the property
6 is substantially complete.

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

13 E. For credits earned on or after ~~the effective date of this~~
14 ~~act~~ July 1, 2006, the credits authorized by this section shall be
15 freely transferable to subsequent transferees.

16 F. The Oklahoma Tax Commission shall promulgate rules necessary
17 to implement this act.

18 G. No credit otherwise authorized by the provisions of this
19 section may be claimed for any event, transaction, investment,
20 expenditure or other act occurring on or after July 1, 2010 for
21 which the credit would otherwise be allowable. The provisions of
22 this subsection shall cease to be operative on July 1, 2012.
23 Beginning July 1, 2012, the credit authorized by this section may be
24 claimed for any event, transaction, investment, expenditure or other

1 act occurring on or after July 1, 2012, according to the provisions
2 of this section.

3 SECTION 12. AMENDATORY Section 5, Chapter 1, 1st
4 Extraordinary Session, O.S.L. 2005, as amended by Section 16,
5 Chapter 327, O.S.L. 2010 (68 O.S. Supp. 2010, Section 2357.47), is
6 amended to read as follows:

7 Section 2357.47. A. 1. Except as otherwise provided in
8 subsection D of this section, for tax years beginning after December
9 31, 2005, and ending before January 1, 2014, there shall be allowed
10 against the tax imposed by Section 2355 of this title, a credit for
11 eligible wages paid by an employer to an employee. The amount of
12 the credit shall be ten percent (10%) of the amount of the gross
13 wages paid to the employee for a period not to exceed ninety (90)
14 days but in no event shall the credit exceed Five Thousand Dollars
15 (\$5,000.00) for each employee of each taxpayer. In no event shall
16 the total credit claimed exceed Twenty-five Thousand Dollars
17 (\$25,000.00) in any one year for any taxpayer.

18 2. Except as otherwise provided by subsection D of this
19 section, for tax years beginning after December 31, 2005, and ending
20 before January 1, 2014, there shall be allowed against the tax
21 imposed by Section 2355 of this title, a credit for eligible
22 modification expenses of an employer. The amount of the credit
23 shall be fifty percent (50%) of the amount of the funds expended for
24 eligible modification expenses or new tools or equipment but in no

1 event shall the credit exceed One Thousand Dollars (\$1,000.00) for
2 eligible modification expenses incurred for any single employee. In
3 no event shall the total credit claimed exceed Ten Thousand Dollars
4 (\$10,000.00) in any year for any taxpayer.

5 3. As used in this section:

6 a. "employee", "employer", "maximum medical improvement",
7 "treating physician", and "wages" shall be defined as
8 in Section 3 of Title 85 of the Oklahoma Statutes,

9 b. "eligible wages" means gross wages paid by an employer
10 to an employee who is injured as a result of an injury
11 which is compensable under the Workers' Compensation
12 Act and which are paid beginning when the employee
13 returns to work with restricted duties as provided by
14 the employee's treating physician or an independent
15 medical examiner before the employee has reached
16 maximum medical improvement, and ending after ninety
17 (90) days or when the employee has reached maximum
18 medical improvement, and

19 c. "eligible modification expenses" means expenses
20 incurred by an employer to modify a workplace, tools
21 or equipment or to obtain new tools or equipment and
22 which are incurred by an employer solely to enable a
23 specific injured employee who is injured as a result
24 of an injury which is compensable under the Workers'

1 Compensation Act to return to work with restricted
2 duties as provided by the employee's treating
3 physician or an independent medical examiner before
4 the employee has reached maximum medical improvement,
5 and which workplace, tools or equipment are used
6 primarily by the injured employee.

7 B. In no event shall the amount of the credit(s) exceed the
8 amount of any tax liability of the taxpayer.

9 C. The Oklahoma Tax Commission shall have the authority to
10 promulgate rules necessary to effectuate the purposes of this
11 section.

12 D. No credit otherwise authorized by the provisions of this
13 section may be claimed for any event, transaction, investment,
14 expenditure or other act occurring on or after July 1, 2010, for
15 which the credit would otherwise be allowable. The provisions of
16 this subsection shall cease to be operative on July 1, 2012.

17 Beginning July 1, 2012, the credit authorized by this section may be
18 claimed for any event, transaction, investment, expenditure or other
19 act occurring on or after July 1, 2012, according to the provisions
20 of this section.

21 SECTION 13. AMENDATORY 68 O.S. 2001, Section 2357.81, as
22 amended by Section 20, Chapter 327, O.S.L. 2010, is amended to read
23 as follows:
24

1 Section 2357.81. A. Subject to the limitation imposed pursuant
2 to subsection C of Section 842 of Title 62 of the Oklahoma Statutes
3 and except as otherwise provided by subsection F of this section,
4 for taxable years beginning after December 31, 2000, and ending
5 before January 1, 2014, there shall be allowed as a credit against
6 the tax imposed pursuant to Section 2355 of ~~Title 68 of the Oklahoma~~
7 ~~Statutes~~ this title, an amount equal to one hundred percent (100%)
8 of the amount of ad valorem taxes exempted pursuant to the
9 provisions of Section 860 of Title 62 of the Oklahoma Statutes for
10 an enterprise locating a new facility within or expanding an
11 existing facility within an enterprise zone as designated pursuant
12 to Section 690.2 of ~~Title 68 of the Oklahoma Statutes~~ this title if
13 such facility is also located within an incentive district.

14 B. The income tax credit authorized by this section shall only
15 be available, to the extent otherwise allowable and except as
16 otherwise provided by subsection F of this section, for ad valorem
17 taxes for which an exemption has been provided pursuant to Section
18 860 of Title 62 of the Oklahoma Statutes on or after January 1,
19 2001, and ending before January 1, 2014. The county assessor of the
20 county in which the facility is located, or any part of the
21 facility, shall provide an annual certification to the Oklahoma Tax
22 Commission not later than January 31 of each calendar year as to the
23 amount of ad valorem taxes which would have been payable by the
24

1 owner of the facility without the exemption provided by Section 860
2 of Title 62 of the Oklahoma Statutes.

3 C. In order to claim the credit authorized by this section, the
4 taxpayer shall obtain a certification from the local governing body
5 approving the incentive district which shall be acknowledged by the
6 chief elected official of the local governing body. The
7 certification shall be signed by the Director of the Oklahoma
8 Department of Commerce or designee, that the facility is located
9 within an enterprise zone. The signature required by this
10 subsection shall be acknowledged in the manner provided by law.

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

21 E. If the tax credit authorized by this section exceeds the
22 amount of taxes due or if there are no state taxes due of the
23 taxpayer, the amount of the claim not used as an offset against the
24

1 taxes of a taxable year may be carried forward for a period not to
2 exceed ten (10) years.

3 F. No credit otherwise authorized by the provisions of this
4 section may be claimed for any event, transaction, investment,
5 expenditure or other act occurring on or after July 1, 2010, for
6 which the credit would otherwise be allowable. The provisions of
7 this subsection shall cease to be operative on July 1, 2012.
8 Beginning July 1, 2012, the credit authorized by this section may be
9 claimed for any event, transaction, investment, expenditure or other
10 act occurring on or after July 1, 2012, according to the provisions
11 of this section.

12 SECTION 14. AMENDATORY Section 1, Chapter 301, O.S.L.
13 2005, as last amended by Section 22, Chapter 327, O.S.L. 2010 (68
14 O.S. Supp. 2010, Section 2357.101), is amended to read as follows:

15 Section 2357.101. A. Except as otherwise provided in
16 subsection E of this section, for taxable years beginning after
17 December 31, 2004, and ending before January 1, 2014, there shall be
18 allowed against the tax imposed by Section 2355 of ~~Title 68 of the~~
19 ~~Oklahoma Statutes~~ this title, a credit equal to twenty-five percent
20 (25%) of the amount of profit made by a taxpayer from investment in
21 an existing Oklahoma film or music project with a production company
22 to pay for production costs that is reinvested by the taxpayer with
23 the production company to pay for the production cost of the
24 production company for a new Oklahoma film or music project.

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

4 C. The Oklahoma Tax Commission shall have the authority to
5 prescribe forms for purposes of claiming the credit authorized in
6 subsection A of this section. The forms shall include, but not be
7 limited to, requests for information that prove who the investment
8 was with, the amount of the original investment and the amount of
9 the profit realized from the investment.

10 D. As used in this section:

11 1. "Film" means a professional single media, multimedia program
12 or feature, which is not child pornography as defined in subsection
13 A of Section 1024.1 of Title 21 of the Oklahoma Statutes or obscene
14 material as defined in paragraph 1 of subsection B of Section 1024.1
15 of Title 21 of the Oklahoma Statutes including, but not limited to,
16 national advertising messages that are broadcast on a national
17 affiliate or cable network, fixed on film or digital video, which
18 can be viewed or reproduced and which is exhibited in theaters,
19 licensed for exhibition by individual television stations, groups of
20 stations, networks, cable television stations or other means or
21 licensed for home viewing markets;

22 2. "Music project" means a professional recording released on a
23 national or international level, whether via traditional
24 manufacturing or distributing or electronic distribution, using

1 technology currently in use or future technology including, but not
2 limited to, music CDs, radio commercials, jingles, cues, or
3 electronic device recordings;

4 3. "Production company" means a person who produces a film or
5 music project for exhibition in theaters, on television or
6 elsewhere;

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

- 8 a. wages or salaries of persons who have earned income
9 from working on a film or music project in this state,
10 including payments to personal services corporations
11 with respect to the services of qualified performing
12 artists, as determined under Section 62(a)(A) of the
13 Internal Revenue Code,
- 14 b. the cost of construction and operations, wardrobe,
15 accessories and related services,
- 16 c. the cost of photography, sound synchronization,
17 lighting and related services,
- 18 d. the cost of editing and related services,
- 19 e. rental of facilities and equipment, and
- 20 f. other direct costs of producing a film or music
21 project;

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

24

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

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

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

- 22 8. a. "Qualified vendor" means an Oklahoma entity which
23 provides goods or services to a production company and
24 for which:

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

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

6 b. For purposes of this paragraph, an employee shall
7 include a self-employed individual reporting income
8 from a qualified vendor on Internal Revenue Service
9 Form 1040.

10 c. The Oklahoma Tax Commission shall prescribe forms by
11 which an entity may be certified to a production
12 company as a qualified vendor for purposes of this
13 section; and

14 9. "Investment" means costs associated with the original
15 production company. Film or music projects acquired from an
16 original production company do not qualify as investment under
17 subsection A of this section.

18 E. No credit otherwise authorized by the provisions of this
19 section may be claimed for any event, transaction, investment,
20 expenditure or other act occurring on or after July 1, 2010, for
21 which the credit would otherwise be allowable. The provisions of
22 this subsection shall cease to be operative on July 1, 2012.
23 Beginning July 1, 2012, the credit authorized by this section may be
24 claimed for any event, transaction, investment, expenditure or other

1 act occurring on or after July 1, 2012, according to the provisions
2 of this section.

3 SECTION 15. AMENDATORY Section 11, Chapter 381, O.S.L.
4 2005, as amended by Section 23, Chapter 327, O.S.L. 2010 (68 O.S.
5 Supp. 2010, Section 2357.102), is amended to read as follows:

6 Section 2357.102. A. Except as otherwise provided by
7 subsection G of this section, for taxable years beginning after
8 December 31, 2005, and ending before January 1, 2014, there shall be
9 allowed a credit against the tax imposed by Section 2355 of Title 68
10 of the Oklahoma Statutes for the cost of the purchase of a dry fire
11 hydrant or the cost to provide an acceptable means of water storage
12 for such dry fire hydrant including a pond, tank, or other storage
13 facility with the primary purpose of fire protection within the
14 State of Oklahoma. The credit shall be equal to fifty percent (50%)
15 of the purchase price of the dry fire hydrant or the actual
16 expenditure for any new water storage construction, equipment,
17 development and installation of the dry hydrant, including pipes,
18 valves, hydrants, and labor for each installation of a dry hydrant
19 or new water storage facility but in no event shall the amount of
20 the credit exceed Five Thousand Dollars (\$5,000.00) for each
21 taxpayer.

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

1 1. Each body of water or water storage structure must be able
2 to provide two hundred fifty (250) gallons per minute for a
3 continuous two-hour period during a fifty-year drought or freeze at
4 a vertical lift of eighteen (18) feet;

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

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

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

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

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

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

24

1 G. No credit otherwise authorized by the provisions of this
2 section may be claimed for any event, transaction, investment,
3 expenditure or other act occurring on or after July 1, 2010, for
4 which the credit would otherwise be allowable. The provisions of
5 this subsection shall cease to be operative on July 1, 2012.
6 Beginning July 1, 2012, the credit authorized by this section may be
7 claimed for any event, transaction, investment, expenditure or other
8 act occurring on or after July 1, 2012, according to the provisions
9 of this section.

10 SECTION 16. AMENDATORY Section 8, Chapter 413, O.S.L.
11 2005, as last amended by Section 24, Chapter 327, O.S.L. 2010 (68
12 O.S. Supp. 2010, Section 2357.104), is amended to read as follows:

13 Section 2357.104. A. Except as otherwise provided by
14 subsection G of this section, for taxable years beginning after
15 December 31, 2005, and ending before January 1, 2014, there shall be
16 allowed a credit against the tax imposed by Section 2355 of this
17 title equal to fifty percent (50%) of an eligible taxpayer's
18 qualified railroad reconstruction or replacement expenditures.

19 B. 1. Except as provided in paragraph 2 of this subsection,
20 the amount of the credit shall be limited to the product of Five
21 Hundred Dollars (\$500.00) for tax year 2007 and Two Thousand Dollars
22 (\$2,000.00) for tax year 2008 and subsequent tax years and the
23 number of miles of railroad track owned or leased within this state
24 by the eligible taxpayer as of the close of the taxable year.

1 2. In tax year 2009 and subsequent tax years, a taxpayer may
2 elect to increase the limit provided in paragraph 1 of this
3 subsection to an amount equal to three times the limit specified in
4 paragraph 1 of this subsection for qualified expenditures made in
5 the tax year, provided the taxpayer may only claim one third (1/3)
6 of the credit in any one taxable period.

7 C. The credit allowed pursuant to subsection A of this section
8 but not used shall be freely transferable, by written agreement, to
9 subsequent transferees at any time during the five (5) years
10 following the year of qualification. An eligible transferee shall
11 be any taxpayer subject to the tax imposed by Section 2355 of this
12 title. The person originally allowed the credit and the subsequent
13 transferee shall jointly file a copy of the written credit transfer
14 agreement with the Oklahoma Tax Commission within thirty (30) days
15 of the transfer. The written agreement shall contain the name,
16 address and taxpayer identification number of the parties to the
17 transfer, the amount of credit being transferred, the year the
18 credit was originally allowed to the transferring person and the tax
19 year or years for which the credit may be claimed. The Tax
20 Commission shall promulgate rules to permit verification of the
21 timeliness of a tax credit claimed upon a tax return pursuant to
22 this subsection but shall not promulgate any rules which unduly
23 restrict or hinder the transfers of such tax credit. The Department
24 of Transportation shall promulgate rules to permit verification of

1 the eligibility of an eligible taxpayer's expenditures for the
2 purpose of claiming the credit. The rules shall provide for the
3 approval of qualified railroad reconstruction or replacement
4 expenditures prior to commencement of a project and provide a
5 certificate of verification upon completion of a project that uses
6 qualified railroad reconstruction or replacement expenditures. The
7 certificate of verification shall satisfy all requirements of the
8 Tax Commission pertaining to the eligibility of the person claiming
9 the credit.

10 D. Any credits allowed pursuant to the provisions of subsection
11 A of this section but not used in any tax year may be carried over
12 in order to each of the five (5) years following the year of
13 qualification.

14 E. A taxpayer who elects to increase the limitation on the
15 credit under paragraph 2 of subsection B of this section shall not
16 be granted additional credits under subsection A of this section
17 during the period of such election.

18 F. As used in this section:

19 1. "Class II and Class III railroad" means a railroad that is
20 classified by the United States Surface Transportation Board as a
21 Class II or Class III railroad;

22 2. "Eligible taxpayer" means any Class II or Class III
23 railroad; and
24

1 3. "Qualified railroad reconstruction or replacement
2 expenditures" means expenditures for:

- 3 a. reconstruction or replacement of railroad
4 infrastructure including track, roadbed, bridges,
5 industrial leads and track-related structures owned or
6 leased by a Class II or Class III railroad as of
7 January 1, 2006, or
- 8 b. new construction of industrial leads, switches, spurs
9 and sidings and extensions of existing sidings by a
10 Class II or Class III railroad.

11 G. No credit otherwise authorized by the provisions of this
12 section may be claimed for any event, transaction, investment,
13 expenditure or other act occurring on or after July 1, 2010, for
14 which the credit would otherwise be allowable. The provisions of
15 this subsection shall cease to be operative on July 1, 2012.
16 Beginning July 1, 2012, the credit authorized by this section may be
17 claimed for any event, transaction, investment, expenditure or other
18 act occurring on or after July 1, 2012, according to the provisions
19 of this section.

20 SECTION 17. AMENDATORY Section 2, Chapter 442, O.S.L.
21 2005, as amended by Section 25, Chapter 327, O.S.L. 2010 (68 O.S.
22 Supp. 2010, Section 2357.203), is amended to read as follows:

23 Section 2357.203. A. As used in this section:
24

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

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

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

16 B. Except as provided in subsection F of this section, for
17 taxable years beginning after December 31, 2005, and ending before
18 January 1, 2014, there shall be allowed a credit against the tax
19 imposed pursuant to Section 2355 of Title 68 of the Oklahoma
20 Statutes in the amount of fifty percent (50%) of the qualified
21 direct costs associated with the operation of a business enterprise
22 the principal purpose of which is the rearing of specially trained
23 canines.

24

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

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

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

14 F. No credit otherwise authorized by the provisions of this
15 section may be claimed for any event, transaction, investment,
16 expenditure or other act occurring on or after July 1, 2010, for
17 which the credit would otherwise be allowable. The provisions of
18 this subsection shall cease to be operative on July 1, 2012.
19 Beginning July 1, 2012, the credit authorized by this section may be
20 claimed for any event, transaction, investment, expenditure or other
21 act occurring on or after July 1, 2012, according to the provisions
22 of this section.

23

24

1 SECTION 18. AMENDATORY 68 O.S. 2001, Section 2358, as
2 last amended by Section 1, Chapter 421, O.S.L. 2010 (68 O.S. Supp.
3 2010, Section 2358), is amended to read as follows:

4 Section 2358. For all tax years beginning after December 31,
5 1981, taxable income and adjusted gross income shall be adjusted to
6 arrive at Oklahoma taxable income and Oklahoma adjusted gross income
7 as required by this section.

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

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

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

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

22 a. For carryovers and carrybacks to taxable years
23 beginning before January 1, 1981, the amount of any
24 net operating loss deduction allowed to a taxpayer for

1 federal income tax purposes shall be reduced to an
2 amount which is the same portion thereof as the loss
3 from sources within this state, as determined pursuant
4 to this section and Section 2362 of this title, for
5 the taxable year in which such loss is sustained is of
6 the total loss for such year;

7 b. For carryovers and carrybacks to taxable years

8 beginning after December 31, 1980, the amount of any
9 net operating loss deduction allowed for the taxable
10 year shall be an amount equal to the aggregate of the
11 Oklahoma net operating loss carryovers and carrybacks
12 to such year. Oklahoma net operating losses shall be
13 separately determined by reference to Section 172 of
14 the Internal Revenue Code, 26 U.S.C., Section 172, as
15 modified by the Oklahoma Income Tax Act, Section 2351
16 et seq. of this title, and shall be allowed without
17 regard to the existence of a federal net operating
18 loss. For tax years beginning after December 31,
19 2000, and ending before January 1, 2008, the years to
20 which such losses may be carried shall be determined
21 solely by reference to Section 172 of the Internal
22 Revenue Code, 26 U.S.C., Section 172, with the
23 exception that the terms "net operating loss" and
24 "taxable income" shall be replaced with "Oklahoma net

1 operating loss" and "Oklahoma taxable income". For
2 tax years beginning after December 31, 2007, and
3 ending before January 1, 2009, years to which such
4 losses may be carried back shall be limited to two (2)
5 years. For tax years beginning after December 31,
6 2008, the years to which such losses may be carried
7 back shall be determined solely by reference to
8 Section 172 of the Internal Revenue Code, 26 U.S.C.,
9 Section 172, with the exception that the terms "net
10 operating loss" and "taxable income" shall be replaced
11 with "Oklahoma net operating loss" and "Oklahoma
12 taxable income".

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

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

1 and gains or losses from sales of such property, shall
2 be allocated in accordance with the domiciliary situs
3 of the taxpayer, except that:

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

18 (2) for taxable years beginning after December 31,
19 2003, capital or ordinary gains or losses from
20 the sale of an ownership interest in a publicly
21 traded partnership, as defined by Section 7704(b)
22 of the Internal Revenue Code of 1986, as amended,
23 shall be allocated to this state in the ratio of
24 the original cost of such partnership's tangible

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

- 20 (3) income from such property which is required to be
21 allocated pursuant to the provisions of paragraph
22 5 of this subsection shall be allocated as herein
23 provided;

24

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

6 d. In the case of a manufacturing or processing
7 enterprise the business of which in Oklahoma consists
8 solely of marketing its products by:

9 (1) sales having a situs without this state, shipped
10 directly to a point from without the state to a
11 purchaser within the state, commonly known as
12 interstate sales,

13 (2) sales of the product stored in public warehouses
14 within the state pursuant to "in transit"
15 tariffs, as prescribed and allowed by the
16 Interstate Commerce Commission, to a purchaser
17 within the state,

18 (3) sales of the product stored in public warehouses
19 within the state where the shipment to such
20 warehouses is not covered by "in transit"
21 tariffs, as prescribed and allowed by the
22 Interstate Commerce Commission, to a purchaser
23 within or without the state,
24

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

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

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

1 this subsection, the term "direct premiums
2 written" means the total amount of direct
3 premiums written, assessments and annuity
4 considerations as reported for the taxable year
5 on the annual statement filed by the company with
6 the Insurance Commissioner in the form approved
7 by the National Association of Insurance
8 Commissioners, or such other form as may be
9 prescribed in lieu thereof,

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

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

16 5. The net income or loss remaining after the separate
17 allocation in paragraph 4 of this subsection, being that which is
18 derived from a unitary business enterprise, shall be apportioned to
19 this state on the basis of the arithmetical average of three factors
20 consisting of property, payroll and sales or gross revenue
21 enumerated as subparagraphs a, b and c of this paragraph. Net
22 income or loss as used in this paragraph includes that derived from
23 patent or copyright royalties, purchase discounts, and interest on
24 accounts receivable relating to or arising from a business activity,

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

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

- 1 (1) Property, the income from which is separately
2 allocated in paragraph 4 of this subsection,
3 shall not be included in determining this
4 fraction. The numerator of the fraction shall
5 include a portion of the investment in
6 transportation and other equipment having no
7 fixed situs, such as rolling stock, buses, trucks
8 and trailers, including machinery and equipment
9 carried thereon, airplanes, salespersons'
10 automobiles and other similar equipment, in the
11 proportion that miles traveled in Oklahoma by
12 such equipment bears to total miles traveled,
- 13 (2) Property owned by the taxpayer is valued at its
14 original cost. Property rented by the taxpayer
15 is valued at eight times the net annual rental
16 rate. Net annual rental rate is the annual
17 rental rate paid by the taxpayer, less any annual
18 rental rate received by the taxpayer from
19 subrentals,
- 20 (3) The average value of property shall be determined
21 by averaging the values at the beginning and
22 ending of the tax period but the Oklahoma Tax
23 Commission may require the averaging of monthly
24 values during the tax period if reasonably

1 required to reflect properly the average value of
2 the taxpayer's property;

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

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

21 (2) In any case the numerator of the fraction shall
22 include a portion of such expenditures in
23 connection with itinerant employees, such as
24 traveling salespersons, in this state only a part

1 of the time, in the proportion that time spent in
2 Oklahoma bears to total time spent in furtherance
3 of the enterprise by such employees;

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

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

23 (2) In the case of a railroad or interurban railway
24 enterprise, the numerator of the fraction shall

1 not be less than the allocation of revenues to
2 this state as shown in its annual report to the
3 Corporation Commission.

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

12 (4) In the case of an oil, gasoline or gas pipeline
13 enterprise, the numerator of the fraction shall
14 be either the total of traffic units of the
15 enterprise within Oklahoma or the revenue
16 allocated to Oklahoma based upon miles moved, at
17 the option of the taxpayer, and the denominator
18 of which shall be the total of traffic units of
19 the enterprise or the revenue of the enterprise
20 everywhere as appropriate to the numerator. A
21 "traffic unit" is hereby defined as the
22 transportation for a distance of one (1) mile of
23 one (1) barrel of oil, one (1) gallon of gasoline
24

1 or one thousand (1,000) cubic feet of natural or
2 casinghead gas, as the case may be.

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

22 In any case where the apportionment of the three factors
23 prescribed in this paragraph attributes to Oklahoma a portion of net
24 income of the enterprise out of all appropriate proportion to the

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

18 6. For calendar years 1997 and 1998, the owner of a new or
19 expanded agricultural commodity processing facility in this state
20 may exclude from Oklahoma taxable income, or in the case of an
21 individual, the Oklahoma adjusted gross income, fifteen percent
22 (15%) of the investment by the owner in the new or expanded
23 agricultural commodity processing facility. For calendar year 1999,
24 and all subsequent years, the percentage, not to exceed fifteen

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

19 For purposes of this paragraph:

- 20 a. "Agricultural commodity processing facility" means
21 building, structures, fixtures and improvements used
22 or operated primarily for the processing or production
23 of marketable products from agricultural commodities.
24 The term shall also mean a dairy operation that

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

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

9 (1) the processing of agricultural commodities,
10 including receiving or storing agricultural
11 commodities, or the production of milk at a dairy
12 operation,

13 (2) transporting the agricultural commodities or
14 product before, during or after the processing,
15 or

16 (3) packaging or otherwise preparing the product for
17 sale or shipment.

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

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

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

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

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

20 10. For taxable years beginning on or after January 1, 2010,
21 there shall be added to Oklahoma taxable income an amount equal to
22 the amount of deferred income not included in such taxable income
23 pursuant to Section 108(i)(1) of the Internal Revenue Code of 1986
24 as amended by Section 1231 of the American Recovery and Reinvestment

1 Act of 2009 (P.L. No. 111-5). There shall be subtracted from
2 Oklahoma taxable income an amount equal to the amount of deferred
3 income included in such taxable income pursuant to Section 108(i)(1)
4 of the Internal Revenue Code of 1986, as amended by Section 1231 of
5 the American Recovery and Reinvestment Act of 2009 (P.L. No. 111-5).

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

24

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

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

14 2. For tax years beginning on or after January 1, 2009, and
15 ending on or before December 31, 2009, there shall be added to
16 Oklahoma taxable income any amount in excess of One Hundred Seventy-
17 five Thousand Dollars (\$175,000.00) which has been deducted as a
18 small business expense under Internal Revenue Code, Section 179 as
19 provided in the American Recovery and Reinvestment Act of 2009.

20 C. 1. For taxable years beginning after December 31, 1987, the
21 taxable income of any corporation shall be further adjusted to
22 arrive at Oklahoma taxable income for transfers of technology to
23 qualified small businesses located in Oklahoma. Such transferor
24 corporation shall be allowed an exemption from taxable income of an

1 amount equal to the amount of royalty payment received as a result
2 of such transfer; provided, however, such amount shall not exceed
3 ten percent (10%) of the amount of gross proceeds received by such
4 transferor corporation as a result of the technology transfer. Such
5 exemption shall be allowed for a period not to exceed ten (10) years
6 from the date of receipt of the first royalty payment accruing from
7 such transfer. No exemption may be claimed for transfers of
8 technology to qualified small businesses made prior to January 1,
9 1988.

10 2. For purposes of this subsection:

11 a. "Qualified small business" means an entity, whether
12 organized as a corporation, partnership, or
13 proprietorship, organized for profit with its
14 principal place of business located within this state
15 and which meets the following criteria:

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

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

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

23 b. "Technology" means a proprietary process, formula,
24 pattern, device or compilation of scientific or

1 technical information which is not in the public
2 domain;

3 c. "Transferor corporation" means a corporation which is
4 the exclusive and undisputed owner of the technology
5 at the time the transfer is made; and

6 d. "Gross proceeds" means the total amount of
7 consideration for the transfer of technology, whether
8 the consideration is in money or otherwise.

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

17 2. As used in this subsection:

18 a. "qualifying gains receiving capital treatment" means
19 the amount of net capital gains, as defined in Section
20 1222(11) of the Internal Revenue Code, included in the
21 federal income tax return of the corporation, estate
22 or trust that result from:

23 (1) the sale of real property or tangible personal
24 property located within Oklahoma that has been

1 directly or indirectly owned by the corporation,
2 estate or trust for a holding period of at least
3 five (5) years prior to the date of the
4 transaction from which such net capital gains
5 arise,

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

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

1 b. "holding period" means an uninterrupted period of
2 time. The holding period shall include any additional
3 period when the property was held by another
4 individual or entity, if such additional period is
5 included in the taxpayer's holding period for the
6 asset pursuant to the Internal Revenue Code,

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

13 d. "direct" means the taxpayer directly owns the asset,
14 and

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

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

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

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

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

4 1. a. In the case of individuals, there shall be added or
5 deducted, as the case may be, the difference necessary
6 to allow personal exemptions of One Thousand Dollars
7 (\$1,000.00) in lieu of the personal exemptions allowed
8 by the Internal Revenue Code.

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

20 c. There shall be allowed an additional exemption of One
21 Thousand Dollars (\$1,000.00) for each taxpayer or
22 spouse who is sixty-five (65) years of age or older at
23 the close of the tax year based upon the filing status
24 and federal adjusted gross income of the taxpayer.

1 Taxpayers with the following filing status may claim
2 this exemption if the federal adjusted gross income
3 does not exceed:

4 (1) Twenty-five Thousand Dollars (\$25,000.00) if
5 married and filing jointly;

6 (2) Twelve Thousand Five Hundred Dollars (\$12,500.00)
7 if married and filing separately;

8 (3) Fifteen Thousand Dollars (\$15,000.00) if single;
9 and

10 (4) Nineteen Thousand Dollars (\$19,000.00) if a
11 qualifying head of household.

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

- 20 2. a. For taxable years beginning on or before December 31,
21 2005, in the case of individuals who use the standard
22 deduction in determining taxable income, there shall
23 be added or deducted, as the case may be, the
24 difference necessary to allow a standard deduction in

1 lieu of the standard deduction allowed by the Internal
2 Revenue Code, in an amount equal to the larger of
3 fifteen percent (15%) of the Oklahoma adjusted gross
4 income or One Thousand Dollars (\$1,000.00), but not to
5 exceed Two Thousand Dollars (\$2,000.00), except that
6 in the case of a married individual filing a separate
7 return such deduction shall be the larger of fifteen
8 percent (15%) of such Oklahoma adjusted gross income
9 or Five Hundred Dollars (\$500.00), but not to exceed
10 the maximum amount of One Thousand Dollars
11 (\$1,000.00),

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

- 20 (1) Three Thousand Dollars (\$3,000.00), if the filing
21 status is married filing joint, head of household
22 or qualifying widow; or
23 (2) Two Thousand Dollars (\$2,000.00), if the filing
24 status is single or married filing separate.

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

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

11 (2) Four Thousand One Hundred Twenty-five Dollars
12 (\$4,125.00) for a head of household; or

13 (3) Two Thousand Seven Hundred Fifty Dollars
14 (\$2,750.00), if the filing status is single or
15 married filing separate.

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

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

4 (2) Four Thousand Eight Hundred Seventy-five Dollars
5 (\$4,875.00) for a head of household, or

6 (3) Three Thousand Two Hundred Fifty Dollars
7 (\$3,250.00), if the filing status is single or
8 married filing separate.

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

16 (1) Eight Thousand Five Hundred Dollars (\$8,500.00),
17 if the filing status is married filing joint or
18 qualifying widow, or

19 (2) Six Thousand Three Hundred Seventy-five Dollars
20 (\$6,375.00) for a head of household, or

21 (3) Four Thousand Two Hundred Fifty Dollars
22 (\$4,250.00), if the filing status is single or
23 married filing separate.
24

1 Oklahoma adjusted gross income shall be increased by
2 any amounts paid for motor vehicle excise taxes which
3 were deducted as allowed by the Internal Revenue Code.

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

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

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

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

15 5. a. Before July 1, 2010, the first One Thousand Five
16 Hundred Dollars (\$1,500.00) received by any person
17 from the United States as salary or compensation in
18 any form, other than retirement benefits, as a member
19 of any component of the Armed Forces of the United
20 States shall be deducted from taxable income.

21 b. On or after July 1, 2010, and ending before January 1,
22 2015, one hundred percent (100%) of the income
23 received by any person from the United States as
24 salary or compensation in any form, other than

1 retirement benefits, as a member of any component of
2 the Armed Forces of the United States shall be
3 deducted from taxable income.

4 c. For the taxable year beginning on January 1, 2015, and
5 every year thereafter, if the State Board of
6 Equalization makes a determination pursuant to Section
7 2355.1D of this title that, for the purposes of this
8 paragraph, revenue collections exceed revenue
9 reductions, the one hundred percent (100%) deduction
10 provided for in subparagraph b of this paragraph may
11 be claimed.

12 d. For the taxable year beginning on January 1, 2015, and
13 every year thereafter, if the State Board of
14 Equalization makes a determination pursuant to Section
15 2355.1D of this title that, for the purposes of this
16 paragraph, revenue collections do not exceed revenue
17 reductions, a deduction of the first One Thousand Five
18 Hundred Dollars (\$1,500.00) received by any person
19 from the United States as salary or compensation in
20 any form, other than retirement benefits, as a member
21 of any component of the Armed Forces of the United
22 States shall be allowed.

23 e. Whenever the filing of a timely income tax return by a
24 member of the Armed Forces of the United States is

1 made impracticable or impossible of accomplishment by
2 reason of:

3 (1) absence from the United States, which term
4 includes only the states and the District of
5 Columbia;

6 (2) absence from the State of Oklahoma while on
7 active duty; or

8 (3) confinement in a hospital within the United
9 States for treatment of wounds, injuries or
10 disease,

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

15 (a) Such individual shall return to the United
16 States if the extension is granted pursuant
17 to subparagraph a of this paragraph, return
18 to the State of Oklahoma if the extension is
19 granted pursuant to subparagraph b of this
20 paragraph or be discharged from such
21 hospital if the extension is granted
22 pursuant to subparagraph c of this
23 paragraph; or

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

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

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

20 7. Notwithstanding anything in the Internal Revenue Code or in
21 the Oklahoma Income Tax Act to the contrary, it is expressly
22 provided that, before January 1, 2014, in the case of resident
23 individuals, amounts received as dividends or distributions of
24 earnings from savings and loan associations or credit unions located

1 in Oklahoma, and interest received on savings accounts and time
2 deposits from such sources or from state and national banks or trust
3 companies located in Oklahoma, shall qualify as dividends for the
4 purpose of the dividend exclusion, and taxable income shall be
5 adjusted accordingly to arrive at Oklahoma taxable income; provided,
6 however, that the dividend, distribution of earnings and/or interest
7 exclusion provided for hereinabove shall not be cumulative to the
8 maximum dividend exclusion allowed by the Internal Revenue Code.
9 Any dividend exclusion already allowed by the Internal Revenue Code
10 and reflected in the taxpayer's Oklahoma taxable income together
11 with exclusion allowed herein shall not exceed the total of One
12 Hundred Dollars (\$100.00) per individual or Two Hundred Dollars
13 (\$200.00) per couple filing a joint return.

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

18 b. Federal taxes as described in subparagraph a of this
19 paragraph shall be deductible by any individual
20 taxpayer, whether resident or nonresident, only to the
21 extent they relate to income subject to taxation
22 pursuant to the provisions of the Oklahoma Income Tax
23 Act. The maximum amount allowable in the preceding
24 paragraph shall be prorated on the ratio of the

1 Oklahoma adjusted gross income to federal adjusted
2 gross income.

3 c. For the purpose of this paragraph, "federal income
4 taxes paid" shall mean federal income taxes, surtaxes
5 imposed on incomes or excess profits taxes, as though
6 the taxpayer was on the accrual basis. In determining
7 the amount of deduction for federal income taxes for
8 tax year 2001, the amount of the deduction shall not
9 be adjusted by the amount of any accelerated ten
10 percent (10%) tax rate bracket credit or advanced
11 refund of the credit received during the tax year
12 provided pursuant to the federal Economic Growth and
13 Tax Relief Reconciliation Act of 2001, P.L. No. 107-
14 16, and the advanced refund of such credit shall not
15 be subject to taxation.

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

19 9. Retirement benefits not to exceed Five Thousand Five Hundred
20 Dollars (\$5,500.00) for the 2004 tax year, Seven Thousand Five
21 Hundred Dollars (\$7,500.00) for the 2005 tax year and Ten Thousand
22 Dollars (\$10,000.00) for the 2006 tax year and all subsequent tax
23 years, which are received by an individual from the civil service of
24 the United States, the Oklahoma Public Employees Retirement System,

1 the Teachers' Retirement System of Oklahoma, the Oklahoma Law
2 Enforcement Retirement System, the Oklahoma Firefighters Pension and
3 Retirement System, the Oklahoma Police Pension and Retirement
4 System, the employee retirement systems created by counties pursuant
5 to Section 951 et seq. of Title 19 of the Oklahoma Statutes, the
6 Uniform Retirement System for Justices and Judges, the Oklahoma
7 Wildlife Conservation Department Retirement Fund, the Oklahoma
8 Employment Security Commission Retirement Plan, or the employee
9 retirement systems created by municipalities pursuant to Section 48-
10 101 et seq. of Title 11 of the Oklahoma Statutes shall be exempt
11 from taxable income.

12 10. In taxable years beginning after December 31, 1984, Social
13 Security benefits received by an individual shall be exempt from
14 taxable income, to the extent such benefits are included in the
15 federal adjusted gross income pursuant to the provisions of Section
16 86 of the Internal Revenue Code, 26 U.S.C., Section 86.

17 11. For taxable years beginning after December 31, 1994, lump-
18 sum distributions from employer plans of deferred compensation,
19 which are not qualified plans within the meaning of Section 401(a)
20 of the Internal Revenue Code, 26 U.S.C., Section 401(a), and which
21 are deposited in and accounted for within a separate bank account or
22 brokerage account in a financial institution within this state,
23 shall be excluded from taxable income in the same manner as a
24 qualifying rollover contribution to an individual retirement account

1 within the meaning of Section 408 of the Internal Revenue Code, 26
2 U.S.C., Section 408. Amounts withdrawn from such bank or brokerage
3 account, including any earnings thereon, shall be included in
4 taxable income when withdrawn in the same manner as withdrawals from
5 individual retirement accounts within the meaning of Section 408 of
6 the Internal Revenue Code.

7 12. In taxable years beginning after December 31, 1995,
8 contributions made to and interest received from a medical savings
9 account established pursuant to Sections 2621 through 2623 of Title
10 63 of the Oklahoma Statutes shall be exempt from taxable income.

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

23

24

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

4 (1) the adoption of a minor, or

5 (2) a proposed adoption of a minor which did not
6 result in a decreed adoption,

7 may be deducted from the Oklahoma adjusted gross
8 income.

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

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

18 d. "Nonrecurring adoption expenses" means adoption fees,
19 court costs, medical expenses, attorney fees and
20 expenses which are directly related to the legal
21 process of adoption of a child including, but not
22 limited to, costs relating to the adoption study,
23 health and psychological examinations, transportation
24 and reasonable costs of lodging and food for the child

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

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

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

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

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

13 (2) in the taxable year beginning January 1, 2007,
14 the qualifying amount shall be Fifty Thousand
15 Dollars (\$50,000.00) or less if the filing status
16 is single, head of household, or married filing
17 separate, or One Hundred Thousand Dollars
18 (\$100,000.00) or less if the filing status is
19 married filing jointly or qualifying widow,

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

1 five Thousand Dollars (\$125,000.00) or less if
2 the filing status is married filing jointly or
3 qualifying widow,

4 (4) in the taxable year beginning January 1, 2009,
5 the qualifying amount shall be One Hundred
6 Thousand Dollars (\$100,000.00) or less if the
7 filing status is single, head of household, or
8 married filing separate, or Two Hundred Thousand
9 Dollars (\$200,000.00) or less if the filing
10 status is married filing jointly or qualifying
11 widow, and

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

15 c. For purposes of this paragraph, "retirement benefits"
16 means the total distributions or withdrawals from the
17 following:

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

21 (2) an eligible deferred compensation plan that
22 satisfies the requirements of Section 457 of the
23 Internal Revenue Code, 26 U.S.C., Section 457,
24

- 1 (3) an individual retirement account, annuity or
2 trust or simplified employee pension that
3 satisfies the requirements of Section 408 of the
4 Internal Revenue Code, 26 U.S.C., Section 408,
5 (4) an employee annuity subject to the provisions of
6 Section 403(a) or (b) of the Internal Revenue
7 Code, 26 U.S.C., Section 403(a) or (b),
8 (5) United States Retirement Bonds which satisfy the
9 requirements of Section 86 of the Internal
10 Revenue Code, 26 U.S.C., Section 86, or
11 (6) lump-sum distributions from a retirement plan
12 which satisfies the requirements of Section
13 402(e) of the Internal Revenue Code, 26 U.S.C.,
14 Section 402(e).

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

1 exceeding Five Thousand Five Hundred Dollars
2 (\$5,500.00) for the 2004 tax year, Seven Thousand Five
3 Hundred Dollars (\$7,500.00) for the 2005 tax year and
4 Ten Thousand Dollars (\$10,000.00) for the 2006 tax
5 year and all subsequent tax years.

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

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

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

1 deduction for each contributor exceed Two Thousand
2 Five Hundred Dollars (\$2,500.00) each taxable year for
3 each account.

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

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

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

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

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

22 d. If a taxpayer elects to take a rollover on a
23 contribution for which a deduction has been taken
24 pursuant to subparagraph b of this paragraph within

1 one year of the date of contribution, the amount of
2 such rollover shall be included in the adjusted gross
3 income of the taxpayer in the taxable year of the
4 rollover.

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

11 f. As used in this paragraph:

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

15 (a) a qualified withdrawal,

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

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

1 amount of the scholarship, allowance, or
2 payment, or

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

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

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

17 20. For taxable years beginning after December 31, 2006,
18 retirement benefits received by federal civil service retirees,
19 including survivor annuities, paid in lieu of Social Security
20 benefits shall be exempt from taxable income to the extent such
21 benefits are included in the federal adjusted gross income pursuant
22 to the provisions of Section 86 of the Internal Revenue Code, 26
23 U.S.C., Section 86, according to the following schedule:
24

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

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

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

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

11 22. For taxable years beginning after December 31, 2009, there
12 shall be exempt from taxable income any amount received by the
13 beneficiary of the death benefit for an emergency medical technician
14 or a registered emergency medical responder provided by Section 1-
15 2505.1 of Title 63 of the Oklahoma Statutes.

16 23. For taxable years beginning after December 31, 2008,
17 taxable income shall be increased by any unemployment compensation
18 exempted under Section 85 (c) of the Internal Revenue Code, 26
19 U.S.C., Section 85(c) (2009).

20 24. For taxable years beginning after December 31, 2008, there
21 shall be exempt from taxable income any payment in an amount less
22 than Six Hundred Dollars (\$600.00) received by a person as an award
23 for participation in a competitive livestock show event. For
24 purposes of this paragraph, the payment shall be treated as a

1 scholarship amount paid by the entity sponsoring the event and the
2 sponsoring entity shall cause the payment to be categorized as a
3 scholarship in its books and records.

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

9 2. As used in this subsection:

10 a. "qualifying gains receiving capital treatment" means
11 the amount of net capital gains, as defined in Section
12 1222(11) of the Internal Revenue Code, included in an
13 individual taxpayer's federal income tax return that
14 result from:

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

21 (2) the sale of stock or the sale of a direct or
22 indirect ownership interest in an Oklahoma
23 company, limited liability company, or
24 partnership where such stock or ownership

1 interest has been directly or indirectly owned by
2 the individual taxpayer for a holding period of
3 at least two (2) years prior to the date of the
4 transaction from which the net capital gains
5 arise, or

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

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

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

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

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

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

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

3 (2) With respect to sales of stock or ownership
4 interest in or sales of all or substantially all
5 of the assets of an Oklahoma company, limited
6 liability company, partnership or Oklahoma
7 proprietorship business enterprise, 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 for
11 not less than two (2) uninterrupted years prior
12 to the date of the transaction that created the
13 capital gain, and each pass-through entity
14 included in the chain of ownership has been a
15 member, partner or shareholder of the pass-
16 through entity in the tier immediately below it
17 for an uninterrupted period of not less than two
18 (2) years. For purposes of this division,
19 uninterrupted ownership prior to the effective
20 date of this act shall be included in the
21 determination of the required holding period
22 prescribed by this division, and

23 f. "Oklahoma proprietorship business enterprise" means a
24 business enterprise whose income and expenses have

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

8 G. 1. For purposes of computing its Oklahoma taxable income
9 under this section, the dividends-paid deduction otherwise allowed
10 by federal law in computing net income of a real estate investment
11 trust that is subject to federal income tax shall be added back in
12 computing the tax imposed by this state under this title if the real
13 estate investment trust is a captive real estate investment trust.

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

- 19 a. the term "real estate investment trust" or "REIT"
20 means the meaning ascribed to such term in Section 856
21 of the Internal Revenue Code of 1986, as amended,
22 b. the term "captive real estate investment trust" means
23 a real estate investment trust, the shares or
24 beneficial interests of which are not regularly traded

1 on an established securities market and more than
2 fifty percent (50%) of the voting power or value of
3 the beneficial interests or shares of which are owned
4 or controlled, directly or indirectly, or
5 constructively, by a single entity that is:

6 (1) treated as an association taxable as a
7 corporation under the Internal Revenue Code of
8 1986, as amended, and

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

12 The term shall not include a real estate investment
13 trust that is intended to be regularly traded on an
14 established securities market, and that satisfies the
15 requirements of Section 856(a)(5) and (6) of the U.S.
16 Internal Revenue Code by reason of Section 856(h)(2)
17 of the Internal Revenue Code,

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

20 (1) any real estate investment trust as defined in
21 paragraph a of this subsection other than a
22 "captive real estate investment trust", or

23 (2) any qualified real estate investment trust
24 subsidiary under Section 856(i) of the Internal

1 Revenue Code of 1986, as amended, other than a
2 qualified REIT subsidiary of a "captive real
3 estate investment trust", or

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

16 (4) any Qualified Foreign Entity, meaning a
17 corporation, trust, association or partnership
18 organized outside the laws of the United States
19 and which satisfies the following criteria:

20 (a) at least seventy-five percent (75%) of the
21 entity's total asset value at the close of
22 its taxable year is represented by real
23 estate assets, as defined in Section
24 856(c)(5)(B) of the Internal Revenue Code of

1 1986, as amended, thereby including shares
2 or certificates of beneficial interest in
3 any real estate investment trust, cash and
4 cash equivalents, and U.S. Government
5 securities,

6 (b) the entity receives a dividend-paid
7 deduction comparable to Section 561 of the
8 Internal Revenue Code of 1986, as amended,
9 or is exempt from entity level tax,

10 (c) the entity is required to distribute at
11 least eighty-five percent (85%) of its
12 taxable income, as computed in the
13 jurisdiction in which it is organized, to
14 the holders of its shares or certificates of
15 beneficial interest on an annual basis,

16 (d) not more than ten percent (10%) of the
17 voting power or value in such entity is held
18 directly or indirectly or constructively by
19 a single entity or individual, or the shares
20 or beneficial interests of such entity are
21 regularly traded on an established
22 securities market, and

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

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

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

20 SECTION 19. AMENDATORY 68 O.S. 2001, Section 2358.3, is
21 amended to read as follows:

22 Section 2358.3. ~~A~~ Before January 1, 2014, a person who
23 contributes money to a political party or to a candidate or
24 candidate committee shall be entitled to deduct the amount

1 contributed, not to exceed One Hundred Dollars (\$100.00) in any one
2 tax year, from the person's adjusted gross income in the computation
3 of Oklahoma income tax.

4 SECTION 20. AMENDATORY 68 O.S. 2001, Section 2370, as
5 last amended by Section 19, SJR No. 61, O.S.L. 2010 (68 O.S. Supp.
6 2010, Section 2370), is amended to read as follows:

7 Section 2370. A. For taxable years beginning after December
8 31, 1989, for the privilege of doing business within this state,
9 every state banking association, national banking association and
10 credit union organized under the laws of this state, located or
11 doing business within the limits of the State of Oklahoma shall
12 annually pay to this state a privilege tax at the rate of six
13 percent (6%) of the amount of the taxable income as provided in this
14 section.

15 B. 1. The privilege tax levied by this section shall be in
16 addition to the Business Activity Tax levied in Section ~~5~~ 1218 of
17 this ~~act~~ title and the franchise tax levied in Article 12 of this
18 title and in lieu of the tax levied by Section 2355 of this title
19 and in lieu of all taxes levied by the State of Oklahoma, or any
20 subdivision thereof, upon the shares of stock or personal property
21 of any banking association or credit union subject to taxation under
22 this section.

23 2. Nothing in this section shall be construed to exempt the
24 real property of any banking associations or credit unions from

1 taxation to the same extent, according to its value, as other real
2 property is taxed. Nothing herein shall be construed to exempt an
3 association from payment of any fee or tax authorized or levied
4 pursuant to the banking laws.

5 3. Personal property which is subject to a lease agreement
6 between a bank or credit union, as lessor, and a nonbanking business
7 entity or individual, as lessee, is not exempt from personal
8 property ad valorem taxation. Provided further, that it shall be
9 the duty of the lessee of such personal property to return sworn
10 lists or schedules of their taxable property within each county to
11 the county assessor of such county as provided in Sections 2433 and
12 2434 of this title.

13 C. Any tax levied under this section shall accrue on the last
14 day of the taxable year and be payable as provided in Section 2375
15 of this title. The accrual of such tax for the first taxable year
16 to which this act applies, shall apply notwithstanding the prior
17 accrual of a tax in the same taxable year based upon the net income
18 of the next preceding taxable year; provided, however, any
19 additional deduction enuring to the benefit of the taxpayer shall be
20 deducted in accordance with the optional transitional deduction
21 procedures in Section 2354 of this title.

22 D. The basis of the tax shall be United States taxable income
23 as defined in paragraph 10 of Section 2353 of this title and any
24

1 adjustments thereto under the provisions of Section 2358 of this
2 title with the following adjustments:

3 1. There shall be deducted all interest income on obligations
4 of the United States government and agencies thereof not otherwise
5 exempted and all interest income on obligations of the State of
6 Oklahoma or political subdivisions thereof, including public trust
7 authorities, not otherwise exempted under the laws of this state;
8 and

9 2. Expense deductions claimed in arriving at taxable income
10 under paragraph 10 of Section 2353 of this title shall be reduced by
11 an amount equal to fifty percent (50%) of excluded interest income
12 on obligations of the United States government or agencies thereof
13 and obligations of the State of Oklahoma or political subdivisions
14 thereof.

15 E. ~~There~~ Before January 1, 2014, there shall be allowed a
16 credit against the tax levied in subsection A of this section in an
17 amount equal to the amount of taxable income received by a
18 participating financial institution as defined in Section 90.2 of
19 Title 62 of the Oklahoma Statutes pursuant to a loan made under the
20 Rural Economic Development Loan Act. Such credit shall be limited
21 each year to five percent (5%) of the amount of annual payroll
22 certified by the Oklahoma Rural Economic Development Loan Program
23 Review Board pursuant to the provisions of paragraph 3 of subsection
24 B of Section 90.4 of Title 62 of the Oklahoma Statutes with respect

1 to the loan made by the participating financial institution and may
2 be claimed for any number of years necessary until the amount of
3 total credits claimed is equal to the total amount of taxable income
4 received by the participating financial institution pursuant to the
5 loan. Any credit allowed but not used in a taxable year may be
6 carried forward for a period not to exceed five (5) taxable years.
7 In no event shall a credit allowed pursuant to the provisions of
8 this subsection be transferable or refundable.

9 SECTION 21. AMENDATORY 68 O.S. 2001, Section 5011, as
10 amended by Section 15, Chapter 322, O.S.L. 2004 (68 O.S. Supp. 2010,
11 Section 5011), is amended to read as follows:

12 Section 5011. A. Except as otherwise provided by this section,
13 beginning with the calendar year 1990 and for each calendar year
14 through 1998, and for calendar year 2003, any individual who is a
15 resident of and is domiciled in this state during the entire
16 calendar year for which the filing is made and whose gross household
17 income for such year does not exceed Twelve Thousand Dollars
18 (\$12,000.00) may file a claim for sales tax relief.

19 B. For calendar years 1999, 2002 and 2004, any individual who
20 is a resident of and is domiciled in this state during the entire
21 calendar year for which the filing is made may file a claim for
22 sales tax relief if the gross household income for such year does
23 not exceed the following amounts:

24

1 1. For an individual not subject to the provisions of paragraph
2 2 of this subsection and claiming no allowable personal exemption
3 other than the allowable personal exemption for that individual or
4 the spouse of that individual, Fifteen Thousand Dollars
5 (\$15,000.00); or

6 2. For an individual claiming one or more allowable personal
7 exemptions other than the allowable personal exemption for that
8 individual or the spouse of that individual, an individual with a
9 physical disability constituting a substantial handicap to
10 employment, or an individual who is sixty-five (65) years of age or
11 older at the close of the tax year, Thirty Thousand Dollars
12 (\$30,000.00).

13 C. For calendar years 2000, 2001, and 2005 ~~and following~~
14 through 2013, an individual who is a resident of and is domiciled in
15 this state during the entire calendar year for which the filing is
16 made may file a claim for sales tax relief if the gross household
17 income for such year does not exceed the following amounts:

18 1. For an individual not subject to the provisions of paragraph
19 2 of this subsection and claiming no allowable personal exemption
20 other than the allowable personal exemption for that individual or
21 the spouse of that individual, Twenty Thousand Dollars (\$20,000.00);
22 or

23 2. For an individual claiming one or more allowable personal
24 exemptions other than the allowable personal exemption for that

1 individual or the spouse of that individual, an individual with a
2 physical disability constituting a substantial handicap to
3 employment, or an individual who is sixty-five (65) years of age or
4 older at the close of the tax year, Fifty Thousand Dollars
5 (\$50,000.00).

6 D. The amount of the claim filed pursuant to the Sales Tax
7 Relief Act shall be Forty Dollars (\$40.00) multiplied by the number
8 of allowable personal exemptions. As used in the Sales Tax Relief
9 Act, "allowable personal exemption" means a personal exemption to
10 which the taxpayer would be entitled pursuant to the provisions of
11 the Oklahoma Income Tax Act, except for:

12 1. The exemptions such taxpayer would be entitled to pursuant
13 to Section 2358 of this title if such taxpayer or spouse is blind or
14 sixty-five (65) years of age or older at the close of the tax year;

15 2. An exemption for a person convicted of a felony if during
16 all or any part of the calendar year for which the claim is filed
17 such person was an inmate in the custody of the Department of
18 Corrections; or

19 3. An exemption for a person if during all or any part of the
20 calendar year for which the claim is filed such person resided
21 outside of this state.

22 E. A person convicted of a felony shall not be permitted to
23 file a claim for sales tax relief pursuant to the provisions of
24 Sections 5010 through 5016 of this title for the period of time

1 during which the person is an inmate in the custody of the
2 Department of Corrections. Such period of time shall include the
3 entire calendar year if the person is in the custody of the
4 Department of Corrections during any part of the calendar year. The
5 provisions of this subsection shall not prohibit all other members
6 of the household of an inmate from filing a claim based upon the
7 personal exemptions to which the household members would be entitled
8 pursuant to the provisions of the Oklahoma Income Tax Act.

9 F. The Department of Corrections shall withhold up to fifty
10 percent (50%) of any money inmates receive for claims made pursuant
11 to the Sales Tax Relief Act prior to September 1, 1991, for costs of
12 incarceration.

13 G. For purposes of Section 139.105 of Title 17 of the Oklahoma
14 Statutes, the gross household income of any individual who may file
15 a claim for sales tax relief shall not exceed Twelve Thousand
16 Dollars (\$12,000.00).

17 SECTION 22. AMENDATORY 68 O.S. 2001, Section 54006, as
18 last amended by Section 31, Chapter 327, O.S.L. 2010 (68 O.S. Supp.
19 2010, Section 54006), is amended to read as follows:

20 Section 54006. A. Except as provided in subsection F of this
21 section, for taxable years beginning after December 31, 1992, and
22 before January 1, 2003, and for taxable years beginning after
23 December 31, 2005, and ending before January 1, 2014, there shall be
24 allowed a credit against the tax imposed by Section 2355 of this

1 title for a net increase in the number of full-time-equivalent
2 employees engaged in computer services, data processing or research
3 and development as defined in Section 54003 of this title, in this
4 state including employees engaged in support services.

5 B. The credit provided for in subsection A of this section
6 shall be allowed in each of the four (4) subsequent years only if
7 the level of new employees is maintained in the subsequent year;
8 provided, such credit shall be allowed in each of the eight (8)
9 subsequent years only if the level of new employees is maintained in
10 the subsequent year and if the credit is taken for taxable years
11 beginning after December 31, 2005. In calculating the credit by the
12 number of new employees, only those employees whose paid wages or
13 salary were at least Thirty-five Thousand Dollars (\$35,000.00)
14 during each year the credit is claimed shall be included in the
15 calculation. The number of new employees shall be determined by
16 comparing the monthly average number of full-time employees subject
17 to Oklahoma income tax withholding for the final quarter of the
18 taxable year with the corresponding period of the prior taxable
19 year, as substantiated by such reports as may be required by the Tax
20 Commission.

21 C. For credits taken for taxable years beginning after December
22 31, 1992, and before January 1, 2003, in order to be eligible to
23 receive the credit provided for in subsection A of this section, a
24 new or expanding business shall not include the existing employee

1 positions of any business enterprise that is directly or
2 beneficially owned by a corporation, trust, joint venture,
3 proprietorship, or partnership doing business in this state as of
4 January 1, 1992. For credits taken for taxable years beginning
5 after December 31, 2005, in order to be eligible to receive the
6 credit provided for in subsection A of this section, a new or
7 expanding business shall not include the existing employee positions
8 of any business enterprise that is directly or beneficially owned by
9 a corporation, trust, joint venture, proprietorship, or partnership
10 doing business in this state as of January 1, 2005.

11 D. The credit allowed by subsection A of this section shall be
12 Five Hundred Dollars (\$500.00) for each new employee, but not to
13 exceed fifty new employees.

14 E. Any credits allowed but not used in any taxable year may be
15 carried over in order to each of the four (4) years following the
16 year of qualification and to the extent not used in those years in
17 order to each of the five (5) years following the initial five-year
18 period.

19 F. No credit otherwise authorized by the provisions of this
20 section may be claimed for any event, transaction, investment,
21 expenditure or other act occurring on or after July 1, 2010, for
22 which the credit would otherwise be allowable. The provisions of
23 this subsection shall cease to be operative on July 1, 2012.
24 Beginning July 1, 2012, the credit authorized by this section may be

1 | claimed for any event, transaction, investment, expenditure or other
2 | act occurring on or after July 1, 2012, according to the provisions
3 | of this section.

4 | SECTION 23. This act shall become effective November 1, 2011.

5 | Passed the Senate the 15th day of March, 2011.

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7 |

Presiding Officer of the Senate

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9 | Passed the House of Representatives the ____ day of _____,

10 | 2011.

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Presiding Officer of the House
of Representatives

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