

1 **HOUSE OF REPRESENTATIVES - FLOOR VERSION**

2 STATE OF OKLAHOMA

3 2nd Session of the 53rd Legislature (2012)

4 COMMITTEE SUBSTITUTE
5 FOR ENGROSSED
6 SENATE BILL NO. 1623

By: Mazzei and Newberry of the
Senate

and

Dank of the House

7
8
9
10 COMMITTEE SUBSTITUTE

11 [income tax - income tax rates - tax credits]
12
13
14

15 ~~BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:~~

16 SECTION 1. AMENDATORY 27A O.S. 2011, Section 2-11-303,
17 is amended to read as follows:

18 Section 2-11-303. A. Except as otherwise provided in
19 subsection C of this section, any person, firm, corporation or other
20 legal entity engaged, or proposing to engage, in the recycling,
21 reuse or source reduction of any hazardous waste, the processing of
22 which is certified as provided in Section 2-11-305 of this title,
23 shall be entitled to a one-time credit against its income tax
24

1 liability, as provided in Section 2-11-304 of this title, of not to
2 exceed twenty percent (20%) of the net investment cost of equipment
3 and installation of processes used for the recycling, reuse, or
4 source reduction of hazardous waste. Provided, that:

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

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

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

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

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

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

20 C. No credit otherwise authorized by the provisions of this
21 section may be claimed for any event, transaction, investment,
22 expenditure or other act occurring on or after July 1, 2010, ~~for~~
23 ~~which the credit would otherwise be allowable. The provisions of~~

UNDERLINED language denotes Amendments to present Statutes.
BOLD FACE CAPITALIZED language denotes Committee Amendments.
~~Strike thru~~ language denotes deletion from present Statutes.

1 ~~this subsection shall cease to be operative on July 1, 2012.~~
2 ~~Beginning July 1, 2012, the credit authorized by this section may be~~
3 ~~claimed for any event, transaction, investment, expenditure or other~~
4 ~~act occurring on or after July 1, 2012, according to the provisions~~
5 ~~of this section through June 30, 2012. Total credits allowed for~~
6 ~~any event, transaction, investment, expenditure or other act~~
7 ~~pursuant to this section for the time period beginning on July 1,~~
8 ~~2012, through December 31, 2013, shall be limited to fifty percent~~
9 ~~(50%) of the total amount of accrued credit. For tax year 2014 and~~
10 ~~all subsequent tax years, no credit shall be allowed for any event,~~
11 ~~transaction, investment, expenditure or other act pursuant to this~~
12 ~~section.~~

13 SECTION 2. AMENDATORY 68 O.S. 2011, Section 2355, is
14 amended to read as follows:

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

20 1. METHOD 1.

21 a. Single individuals and married individuals filing
22 separately not deducting federal income tax:

23 (1) 1/2% tax on first \$1,000.00 or part thereof,
24

- 1 (2) 1% tax on next \$1,500.00 or part thereof,
2 (3) 2% tax on next \$1,250.00 or part thereof,
3 (4) 3% tax on next \$1,150.00 or part thereof,
4 (5) 4% tax on next \$1,300.00 or part thereof,
5 (6) 5% tax on next \$1,500.00 or part thereof,
6 (7) 6% tax on next \$2,300.00 or part thereof, and
7 (8) (a) for taxable years beginning after December
8 31, 1998, and before January 1, 2002, 6.75%
9 tax on the remainder,
10 (b) for taxable years beginning on or after
11 January 1, 2002, and before January 1, 2004,
12 7% tax on the remainder, and
13 (c) for taxable years beginning on or after
14 January 1, 2004, 6.65% tax on the remainder.

15 b. Married individuals filing jointly and surviving
16 spouse to the extent and in the manner that a
17 surviving spouse is permitted to file a joint return
18 under the provisions of the Internal Revenue Code and
19 heads of households as defined in the Internal Revenue
20 Code not deducting federal income tax:

- 21 (1) 1/2% tax on first \$2,000.00 or part thereof,
22 (2) 1% tax on next \$3,000.00 or part thereof,
23 (3) 2% tax on next \$2,500.00 or part thereof,
24

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

13 2. METHOD 2.

14 a. Single individuals and married individuals filing
15 separately deducting federal income tax:

- 16 (1) 1/2% tax on first \$1,000.00 or part thereof,
17 (2) 1% tax on next \$1,500.00 or part thereof,
18 (3) 2% tax on next \$1,250.00 or part thereof,
19 (4) 3% tax on next \$1,150.00 or part thereof,
20 (5) 4% tax on next \$1,200.00 or part thereof,
21 (6) 5% tax on next \$1,400.00 or part thereof,
22 (7) 6% tax on next \$1,500.00 or part thereof,
23 (8) 7% tax on next \$1,500.00 or part thereof,
24

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

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

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

21 B. 1. Individuals. For all taxable years beginning on or
22 after January 1, 2008, and before January 1, 2012, a tax is hereby
23
24

1 imposed upon the Oklahoma taxable income of every resident or
2 nonresident individual, which tax shall be computed as follows:

3 ~~1.~~

4 a. single individuals and married individuals filing
5 separately:

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

7 ~~(b)~~ (2) 1% tax on next \$1,500.00 or part thereof,

8 ~~(c)~~ (3) 2% tax on next \$1,250.00 or part thereof,

9 ~~(d)~~ (4) 3% tax on next \$1,150.00 or part thereof,

10 ~~(e)~~ (5) 4% tax on next \$2,300.00 or part thereof,

11 ~~(f)~~ (6) 5% tax on next \$1,500.00 or part thereof,

12 and

13 ~~(g)~~ (7) 5.50% tax on the remainder for the 2008 tax
14 year ~~and any subsequent~~ through the 2011 tax year
15 unless the rate prescribed by subparagraph (h) of
16 this paragraph is in effect, and

17 ~~(h)~~ 5.25% tax on the remainder for the 2009 and
18 subsequent tax years. ~~The decrease in the top~~
19 ~~marginal individual income tax rate otherwise~~
20 ~~authorized by this subparagraph shall be~~
21 ~~contingent upon the determination required to be~~
22 ~~made by the State Board of Equalization pursuant~~
23 ~~to Section 2355.1A of this title.~~

1 ~~2.~~

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

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

9 ~~(b)~~ (2) 1% tax on next \$3,000.00 or part thereof,

10 ~~(c)~~ (3) 2% tax on next \$2,500.00 or part thereof,

11 ~~(d)~~ (4) 3% tax on next \$2,300.00 or part thereof,

12 ~~(e)~~ (5) 4% tax on next \$2,400.00 or part thereof,

13 ~~(f)~~ (6) 5% tax on next \$2,800.00 or part thereof,

14 and

15 ~~(g)~~ (7) 5.50% tax on the remainder for the 2008 tax
16 year ~~and any subsequent~~ through the 2011 tax year
17 ~~unless the rate prescribed by subparagraph (h) of~~
18 ~~this paragraph is in effect, and~~

19 ~~(h)~~ 5.25% tax on the remainder for the 2009 and
20 subsequent tax years. ~~The decrease in the top~~
21 ~~marginal individual income tax rate otherwise~~
22 ~~authorized by this subparagraph shall be~~
23 ~~contingent upon the determination required to be~~

1 ~~made by the State Board of Equalization pursuant~~
2 ~~to Section 2355.1A of this title.~~

3 2. Individuals. For the taxable year beginning on January 1,
4 2012, a tax is hereby imposed upon the Oklahoma taxable income of
5 every resident or nonresident individual, which tax shall be
6 computed as follows:

7 a. single individuals and married individuals filing
8 separately:

9 (1) 1/2% tax on first \$1,000.00 or part thereof,

10 (2) 1% tax on next \$1,500.00 or part thereof,

11 (3) 2% tax on next \$1,250.00 or part thereof,

12 (4) 3% tax on next \$1,150.00 or part thereof,

13 (5) 4% tax on next \$2,300.00 or part thereof,

14 (6) 5% tax on next \$1,500.00 or part thereof, and

15 (7) 5.25% tax on the remainder, and

16 b. married individuals filing jointly and surviving

17 spouse to the extent and in the manner that a

18 surviving spouse is permitted to file a joint return

19 under the provisions of the Internal Revenue Code and

20 heads of households as defined in the Internal Revenue

21 Code:

22 (1) 1/2% tax on first \$2,000.00 or part thereof,

23 (2) 1% tax on next \$3,000.00 or part thereof,

- (3) 2% tax on next \$2,500.00 or part thereof,
- (4) 3% tax on next \$2,300.00 or part thereof,
- (5) 4% tax on next \$2,400.00 or part thereof,
- (6) 5% tax on next \$2,800.00 or part thereof, and
- (7) 5.25% tax on the remainder.

3. Individuals. For the taxable year beginning on January 1, 2013, a tax is hereby imposed upon the Oklahoma taxable income of every resident or nonresident individual, which tax shall be computed as follows:

a. single individuals and married individuals filing separately:

- (1) 1/2% tax on first \$1,000.00 or part thereof,
- (2) 1% tax on next \$1,500.00 or part thereof,
- (3) 2% tax on next \$1,250.00 or part thereof,
- (4) 3% tax on next \$1,150.00 or part thereof,
- (5) 4% tax on next \$2,300.00 or part thereof, and
- (6) 5% tax on the remainder, and

b. married individuals filing jointly and surviving spouse to the extent and in the manner that a surviving spouse is permitted to file a joint return under the provisions of the Internal Revenue Code and heads of households as defined in the Internal Revenue Code:

- (1) 1/2% tax on first \$2,000.00 or part thereof,
- (2) 1% tax on next \$3,000.00 or part thereof,
- (3) 2% tax on next \$2,500.00 or part thereof,
- (4) 3% tax on next \$2,300.00 or part thereof,
- (5) 4% tax on next \$2,400.00 or part thereof, and
- (6) 5% tax on the remainder.

4. Individuals. For all taxable years beginning on or after January 1, 2014, a tax is hereby imposed upon the Oklahoma taxable income of every resident or nonresident individual, which tax shall be computed as follows:

a. single individuals and married individuals filing separately:

- (1) 1/2% tax on first \$1,000.00 or part thereof,
- (2) 1% tax on next \$1,500.00 or part thereof,
- (3) 2% tax on next \$1,250.00 or part thereof,
- (4) 3% tax on next \$1,150.00 or part thereof,
- (5) 4% tax on next \$2,300.00 or part thereof, and
- (6) 4.75% tax on the remainder, and

b. married individuals filing jointly and surviving spouse to the extent and in the manner that a surviving spouse is permitted to file a joint return under the provisions of the Internal Revenue Code and

1 heads of households as defined in the Internal Revenue
2 Code:

3 (1) 1/2% tax on first \$2,000.00 or part thereof,

4 (2) 1% tax on next \$3,000.00 or part thereof,

5 (3) 2% tax on next \$2,500.00 or part thereof,

6 (4) 3% tax on next \$2,300.00 or part thereof,

7 (5) 4% tax on the next \$2,400.00 or part thereof, and

8 (6) 4.75% tax on the remainder.

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

11 C. Nonresident aliens. In lieu of the rates set forth in
12 subsection A above, there shall be imposed on nonresident aliens, as
13 defined in the Internal Revenue Code, a tax of eight percent (8%)
14 instead of thirty percent (30%) as used in the Internal Revenue
15 Code, with respect to the Oklahoma taxable income of such
16 nonresident aliens as determined under the provision of the Oklahoma
17 Income Tax Act.

18 Every payer of amounts covered by this subsection shall deduct
19 and withhold from such amounts paid each payee an amount equal to
20 eight percent (8%) thereof. Every payer required to deduct and
21 withhold taxes under this subsection shall for each quarterly period
22 on or before the last day of the month following the close of each
23 such quarterly period, pay over the amount so withheld as taxes to

1 the Tax Commission, and shall file a return with each such payment.
2 Such return shall be in such form as the Tax Commission shall
3 prescribe. Every payer required under this subsection to deduct and
4 withhold a tax from a payee shall, as to the total amounts paid to
5 each payee during the calendar year, furnish to such payee, on or
6 before January 31, of the succeeding year, a written statement
7 showing the name of the payer, the name of the payee and the payee's
8 social security account number, if any, the total amount paid
9 subject to taxation, and the total amount deducted and withheld as
10 tax and such other information as the Tax Commission may require.
11 Any payer who fails to withhold or pay to the Tax Commission any
12 sums herein required to be withheld or paid shall be personally and
13 individually liable therefor to the State of Oklahoma.

14 D. Corporations. For all taxable years beginning after
15 December 31, 1989, and ending on or before December 31, 2012, a tax
16 is hereby imposed upon the Oklahoma taxable income of every
17 corporation doing business within this state or deriving income from
18 sources within this state in an amount equal to six percent (6%)
19 thereof. For all taxable years beginning on or after January 1,
20 2013, a tax is hereby imposed upon the Oklahoma taxable income of
21 every corporation doing business within this state or deriving
22 income from sources within this state in an amount equal to five and
23 one-half percent (5.5%) thereof.

1 There shall be no additional Oklahoma income tax imposed on
2 accumulated taxable income or on undistributed personal holding
3 company income as those terms are defined in the Internal Revenue
4 Code.

5 E. Certain foreign corporations. In lieu of the tax imposed in
6 the first paragraph of subsection C of this section, for all taxable
7 years beginning after December 31, 1989, there shall be imposed on
8 foreign corporations, as defined in the Internal Revenue Code, a tax
9 of six percent (6%) instead of thirty percent (30%) as used in the
10 Internal Revenue Code, where such income is received from sources
11 within Oklahoma, in accordance with the provisions of the Internal
12 Revenue Code and the Oklahoma Income Tax Act.

13 Every payer of amounts covered by this subsection shall deduct
14 and withhold from such amounts paid each payee an amount equal to
15 six percent (6%) thereof. Every payer required to deduct and
16 withhold taxes under this subsection shall for each quarterly period
17 on or before the last day of the month following the close of each
18 such quarterly period, pay over the amount so withheld as taxes to
19 the Tax Commission, and shall file a return with each such payment.
20 Such return shall be in such form as the Tax Commission shall
21 prescribe. Every payer required under this subsection to deduct and
22 withhold a tax from a payee shall, as to the total amounts paid to
23 each payee during the calendar year, furnish to such payee, on or

24

1 before January 31, of the succeeding year, a written statement
2 showing the name of the payer, the name of the payee and the payee's
3 social security account number, if any, the total amounts paid
4 subject to taxation, the total amount deducted and withheld as tax
5 and such other information as the Tax Commission may require. Any
6 payer who fails to withhold or pay to the Tax Commission any sums
7 herein required to be withheld or paid shall be personally and
8 individually liable therefor to the State of Oklahoma.

9 F. Fiduciaries. A tax is hereby imposed upon the Oklahoma
10 taxable income of every trust and estate at the same rates as are
11 provided in subsection B of this section for single individuals.
12 Fiduciaries are not allowed a deduction for any federal income tax
13 paid.

14 G. Tax rate tables. For all taxable years beginning after
15 December 31, 1991, in lieu of the tax imposed by subsection A or B
16 of this section, as applicable there is hereby imposed for each
17 taxable year on the taxable income of every individual, whose
18 taxable income for such taxable year does not exceed the ceiling
19 amount, a tax determined under tables, applicable to such taxable
20 year which shall be prescribed by the Tax Commission and which shall
21 be in such form as it determines appropriate. In the table so
22 prescribed, the amounts of the tax shall be computed on the basis of
23 the rates prescribed by subsections A and B of this section. For

24

1 purposes of this subsection, the term "ceiling amount" means, with
2 respect to any taxpayer, the amount determined by the Tax Commission
3 for the tax rate category in which such taxpayer falls.

4 SECTION 3. AMENDATORY 68 O.S. 2011, Section 2357, is
5 amended to read as follows:

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

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

21 2. For tax years beginning after December 31, 2007, and ending
22 before January 1, 2013, there shall be allowed to a resident
23 individual or part-year resident individual or nonresident

1 individual member of the Armed Forces as a credit against the tax
2 imposed by Section 2355 of this title twenty percent (20%) of the
3 credit for child care expenses allowed under the Internal Revenue
4 Code of the United States or five percent (5%) of the child tax
5 credit allowed under the Internal Revenue Code, whichever amount is
6 greater. For the 2013 tax year, the credit allowed pursuant to this
7 section shall be ten percent (10%) of the credit for child care
8 expenses allowed under the Internal Revenue Code of the United
9 States or two and one-half percent (2.5%) of the child tax credit
10 allowed under the Internal Revenue Code, whichever amount is
11 greater. For the 2014 tax year and all subsequent tax years, there
12 shall be no credit allowed pursuant to this paragraph. Neither
13 credit authorized by this paragraph shall exceed the tax imposed by
14 Section 2355 of this title. The maximum child care credit allowable
15 on the Oklahoma income tax return shall be prorated on the ratio
16 that Oklahoma adjusted gross income bears to the federal adjusted
17 gross income. The credit authorized by this paragraph shall not be
18 claimed by any taxpayer if the federal adjusted gross income
19 reflected on the Oklahoma return for the taxpayer is in excess of
20 One Hundred Thousand Dollars (\$100,000.00).

21 C. 1. Except as otherwise provided by paragraph 3 of this
22 subsection, every taxpayer who operates a manufacturing
23 establishment in the state shall be allowed a direct credit against
24

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

10 2. As used in this subsection:

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

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

21 (1) gas which, after being severed from the earth, is
22 subsequently injected into a formation in the
23
24

1 state for the purpose of storing, recycling,
2 repressuring or pressure maintenance,

3 (2) gas vented or flared directly into the
4 atmosphere,

5 (3) gas used for fuel in connection with the
6 operation and development for or production of
7 oil or gas in the field where produced, and

8 (4) gas, any part of which is resold by the
9 manufacturing establishment, except as to that
10 part and quantity of the gas which is actually
11 used by the establishment and not resold, and

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

18 3. No credit otherwise authorized by the provisions of this
19 subsection 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 paragraph shall cease to be operative on July 1, 2012.~~
23 ~~Beginning July 1, 2012, the credit authorized by this subsection may~~

1 ~~be claimed for any event, transaction, investment, expenditure or~~
2 ~~other act occurring on or after July 1, 2012, according to the~~
3 ~~provisions of this subsection~~ through June 30, 2012. Total credits
4 allowed for any event, transaction, investment, expenditure or other
5 act pursuant to this section for the time period beginning on July
6 1, 2012, through December 31, 2013, shall be limited to fifty
7 percent (50%) of the total amount of accrued credit. For tax year
8 2014 and all subsequent tax years, no credit shall be allowed for
9 any event, transaction, investment, expenditure or other act
10 pursuant to this section.

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

- 15 1. Those credits provided in this section; and
- 16 2. Those credits authorized by Sections 2-5-101 through 2-5-118
17 of Title 27A of the Oklahoma Statutes, which have been, or may
18 hereafter be, certified pursuant to applications therefor made on or
19 before March 22, 1971. Provided, the total amount of the credits
20 referred to in this subparagraph to be taken by the taxpayer shall
21 not exceed the certified net investment cost of the facilities or
22 processes to which such credits pertain, reduced by the greater of:

23
24

- 1 a. the reduction in federal income tax of taxpayer as the
2 result of deducting depreciation on such facilities or
3 processes, or deducting nondepreciable costs for which
4 credit has been so certified, or
5 b. the increase in the amount of Oklahoma income tax that
6 would result if taxable income were increased by the
7 amount deducted as set forth in subparagraph a of this
8 paragraph.

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

15 SECTION 4. AMENDATORY 68 O.S. 2011, Section 2357.4, is
16 amended to read as follows:

17 Section 2357.4 A. Except as otherwise provided in subsection F
18 of Section 3658 of this title and in subsection J of this section,
19 for taxable years beginning after December 31, 1987, there shall be
20 allowed a credit against the tax imposed by Section 2355 of this
21 title for:

22 1. Investment in qualified depreciable property placed in
23 service during those years for use in a manufacturing operation, as
24

1 defined in Section 1352 of this title, which has received a
2 manufacturer exemption permit pursuant to the provisions of Section
3 1359.2 of this title or a qualified aircraft maintenance or
4 manufacturing facility as defined in paragraph 14 of Section 1357 of
5 this title in this state or a qualified web search portal as defined
6 paragraph 35 of Section 1357 of this title; or

7 2. A net increase in the number of full-time-equivalent
8 employees engaged in manufacturing, processing or aircraft
9 maintenance in this state including employees engaged in support
10 services.

11 B. Except as otherwise provided in subsection F of Section 3658
12 of this title and in subsection J of this section, for taxable years
13 beginning after December 31, 1998, there shall be allowed a credit
14 against the tax imposed by Section 2355 of this title for:

15 1. Investment in qualified depreciable property with a total
16 cost equal to or greater than Forty Million Dollars (\$40,000,000.00)
17 within three (3) years from the date of initial qualifying
18 expenditure and placed in service in this state during those years
19 for use in the manufacture of products described by any Industry
20 Number contained in Division D of Part I of the Standard Industrial
21 Classification (SIC) Manual, latest revision; or

22 2. A net increase in the number of full-time-equivalent
23 employees in this state engaged in the manufacture of any goods

24

1 identified by any Industry Number contained in Division D of Part I
2 of the Standard Industrial Classification (SIC) Manual, latest
3 revision, if the total cost of qualified depreciable property placed
4 in service by the business entity within the state equals or exceeds
5 Forty Million Dollars (\$40,000,000.00) within three (3) years from
6 the date of initial qualifying expenditure.

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

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

21 E. The credit provided for in subsection A of this section, if
22 based upon investment in qualified depreciable property, shall not
23 be allowed unless the investment in qualified depreciable property

24

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

19 F. The credit provided for in subsection A or B of this
20 section, if based upon an increase in the number of full-time-
21 equivalent employees, shall be allowed in each of the four (4)
22 subsequent years only if the level of new employees is maintained in
23 the subsequent year. In calculating the credit by the number of new
24

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

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

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

22 2. Five Hundred Dollars (\$500.00) for each new employee. No
23 credit shall be allowed in any taxable year for a net increase in
24

1 the number of full-time-equivalent employees if such increase is a
2 result of an investment in qualified depreciable property for which
3 an income tax credit has been allowed as authorized by this section.

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

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

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

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

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

17 1. To each of the four (4) years following the year of
18 qualification;

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

21 3. If a C corporation that otherwise qualified for the credits
22 under subsection A of this section subsequently changes its
23 operating status to that of a pass-through entity which is being
24

1 treated as the same entity for federal tax purposes, the credits
2 will continue to be available as if the pass-through entity had
3 originally qualified for the credits subject to the limitations of
4 this section.

5 To the extent not used in paragraphs 1 and 2 of this subsection,
6 such credits from qualified depreciable property placed in service
7 on or after January 1, 2000, may be utilized in any subsequent tax
8 years after the initial twenty-year period.

9 J. No credit otherwise authorized by the provisions of this
10 section may be claimed for any event, transaction, investment,
11 expenditure or other act occurring on or after July 1, 2010, ~~for~~
12 ~~which the credit would otherwise be allowable until the provisions~~
13 ~~of this subsection shall cease to be operative on July 1, 2012.~~
14 except as provided in this subsection:

15 1. Beginning July 1, 2012, the credit authorized by this
16 section may be claimed for any event, transaction, investment,
17 expenditure or other act occurring on or after July 1, 2010,
18 ~~according to the provisions of this section~~ and through June 30,
19 2012; provided, credits accrued during the period from July 1, 2010,
20 through June 30, 2012, shall be limited to a period of two (2)
21 taxable years. The credit shall be limited in each taxable year to
22 fifty percent (50%) of the total amount of the accrued credit. Any
23 tax credits which accrue during the period of July 1, 2010, through
24

1 June 30, 2012, may not be claimed for any period prior to the
2 taxable year beginning January 1, 2012. No credits which accrue
3 during the period of July 1, 2010, through June 30, 2012, may be
4 used to file an amended tax return for any taxable year prior to the
5 taxable year beginning January 1, 2012;

6 2. Any event, transaction, investment, expenditure or other act
7 for which a credit would otherwise be allowed pursuant to this
8 section, which occurs on or after July 1, 2012, and before January
9 1, 2014, shall be limited to fifty percent (50%) of the total amount
10 of accrued credit; and

11 3. 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 January 1, 2014.

14 SECTION 5. AMENDATORY 68 O.S. 2011, Section 2357.6, is
15 amended to read as follows:

16 Section 2357.6 A. Any person or corporation may contribute
17 monies to the Energy Conservation Assistance Fund. Except as
18 otherwise provided in subsection B of this section, such
19 contributions shall be entitled to an income tax credit against the
20 state personal or corporate income tax liability of fifty percent
21 (50%) of the amount contributed to the fund for the taxable year in
22 which it was made.

23
24

1 B. 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~~ through June 30, 2012. Total credits allowed for
10 any event, transaction, investment, expenditure or other act
11 pursuant to this section for the time period beginning on July 1,
12 2012, through December 31, 2013, shall be limited to twenty-five
13 percent (25%) of the total amount contributed to the fund. For tax
14 year 2014 and all subsequent tax years, no credit shall be allowed
15 for any event, transaction, investment, expenditure or other act
16 pursuant to this section.

17 SECTION 6. AMENDATORY 68 O.S. 2011, Section 2357.11, is
18 amended to read as follows:

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

23

24

1 B. 1. Except as provided in subsection M of this section, for
2 tax years beginning on or after January 1, 1993, and ending on or
3 before December 31, 2014, there shall be allowed a credit against
4 the tax imposed by Section 1803 or Section 2355 of this title or
5 Section 624 or 628 of Title 36 of the Oklahoma Statutes for every
6 person in this state furnishing water, heat, light or power to the
7 state or its citizens, or for every person in this state burning
8 coal to generate heat, light or power for use in manufacturing
9 operations located in this state.

10 2. For tax years beginning on or after January 1, 1993, and
11 ending on or before December 31, 2005, and for the period of January
12 1, 2006, through June 30, 2006, the credit shall be in the amount of
13 Two Dollars (\$2.00) per ton for each ton of Oklahoma-mined coal
14 purchased by such person.

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

20 4. In addition to the credit allowed pursuant to the provisions
21 of paragraph 3 of this subsection, for the period of July 1, 2006,
22 through December 31, 2006, and except as provided in subsection M of
23 this section, for tax years beginning on or after January 1, 2007,
24

1 and ending on or before December 31, 2014, there shall be allowed a
2 credit in the amount of Two Dollars and fifteen cents (\$2.15) per
3 ton for each ton of Oklahoma-mined coal purchased by such person.
4 The credit allowed pursuant to the provisions of this paragraph may
5 not be claimed or transferred prior to January 1, 2008.

6 C. For tax years beginning on or after January 1, 1995, and
7 ending on or before December 31, 2005, and for the period beginning
8 January 1, 2006, through June 30, 2006, there shall be allowed, in
9 addition to the credits allowed pursuant to subsection B of this
10 section, a credit against the tax imposed by Section 1803 or Section
11 2355 of this title or Section 624 or 628 of Title 36 of the Oklahoma
12 Statutes for every person in this state which:

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

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

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

21 D. Except as otherwise provided in subsection E of this section
22 and in subsection M of this section, for tax years beginning on or
23 after January 1, 2001, there shall be allowed a credit against the
24

UNDERLINED language denotes Amendments to present Statutes.
BOLD FACE CAPITALIZED language denotes Committee Amendments.
~~Strike thru~~ language denotes deletion from present Statutes.

1 tax imposed by Section 1803 or Section 2355 of this title or Section
2 624 or 628 of Title 36 of the Oklahoma Statutes for every person in
3 this state primarily engaged in mining, producing or extracting
4 coal, and holding a valid permit issued by the Oklahoma Department
5 of Mines. For tax years beginning on or after January 1, 2001, and
6 ending on or before December 31, 2005, and for the period beginning
7 January 1, 2006, through June 30, 2006, the credit shall be in the
8 amount of ninety-five cents (\$0.95) per ton and for the period of
9 July 1, 2006, through December 31, 2006, and for tax years beginning
10 on or after January 1, 2007, the credit shall be in the amount of
11 Five Dollars (\$5.00) for each ton of coal mined, produced or
12 extracted in on, under or through a permit in this state by such
13 person.

14 E. In addition to the credit allowed pursuant to the provisions
15 of subsection D of this section and except as otherwise provided in
16 subsection F of this section, for tax years beginning on or after
17 January 1, 2001, and ending on or before December 31, 2005, and for
18 the period of January 1, 2006, through June 30, 2006, there shall be
19 allowed a credit against the tax imposed by Section 1803 or Section
20 2355 of this title or Section 624 or 628 of Title 36 of the Oklahoma
21 Statutes for every person in this state primarily engaged in mining,
22 producing or extracting coal, and holding a valid permit issued by
23 the Oklahoma Department of Mines in the amount of ninety-five cents

1 (\$0.95) per ton for each ton of coal mined, produced or extracted
2 from thin seams in this state by such person; provided, the credit
3 shall not apply to such coal sold to any consumer who purchases at
4 least seven hundred fifty thousand (750,000) tons of Oklahoma-mined
5 coal per year.

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

18 G. The credits provided in subsections D and E of this section
19 shall not be allowed for coal mined, produced or extracted in any
20 month in which the average price of coal is Sixty-eight Dollars
21 (\$68.00) or more per ton, excluding freight charges, as determined
22 by the Tax Commission.

23

24

1 H. The additional credits allowed pursuant to subsections B, C,
2 D and E of this section but not used shall be freely transferable
3 after January 1, 2002, and before January 1, 2013, by written
4 agreement to subsequent transferees at any time during the five (5)
5 years following the year of qualification; provided, the additional
6 credits allowed pursuant to the provisions of paragraph 4 of
7 subsection B of this section but not used shall be freely
8 transferable after January 1, 2008, and before January 1, 2013, by
9 written agreement to subsequent transferees at any time during the
10 five (5) years following the year of qualification. An eligible
11 transferee shall be any taxpayer subject to the tax imposed by
12 Section 1803 or Section 2355 of this title or Section 624 or 628 of
13 Title 36 of the Oklahoma Statutes. The person originally allowed
14 the credit and the subsequent transferee shall jointly file a copy
15 of the written credit transfer agreement with the Tax Commission
16 within thirty (30) days of the transfer. The written agreement
17 shall contain the name, address and taxpayer identification number
18 of the parties to the transfer, the amount of credit being
19 transferred, the year the credit was originally allowed to the
20 transferring person and the tax year or years for which the credit
21 may be claimed. The Tax Commission may promulgate rules to permit
22 verification of the validity and timeliness of a tax credit claimed
23 upon a tax return pursuant to this subsection but shall not

24

1 promulgate any rules which unduly restrict or hinder the transfers
2 of such tax credit. For tax year 2013 and all subsequent tax years,
3 no credit provided pursuant to this section may be allocated by a
4 pass-through entity to a shareholder, partner or member.

5 I. The additional credit allowed pursuant to subsection F of
6 this section but not used shall be freely transferable on or after
7 July 1, 2006, by written agreement to subsequent transferees at any
8 time during the five (5) years following the year of qualification.
9 An eligible transferee shall be any taxpayer subject to the tax
10 imposed by Section 1803 or Section 2355 of this title or Section 624
11 or 628 of Title 36 of the Oklahoma Statutes. The person originally
12 allowed the credit and the subsequent transferee shall jointly file
13 a copy of the written credit transfer agreement with the Tax
14 Commission within thirty (30) days of the transfer. The written
15 agreement shall contain the name, address and taxpayer
16 identification number of the parties to the transfer, the amount of
17 credit being transferred, the year the credit was originally allowed
18 to the transferring person and the tax year or years for which the
19 credit may be claimed. The Tax Commission may promulgate rules to
20 permit verification of the validity and timeliness of a tax credit
21 claimed upon a tax return pursuant to this subsection but shall not
22 promulgate any rules which unduly restrict or hinder the transfers
23 of such tax credit.

1 J. Any person receiving tax credits pursuant to the provisions
2 of this section shall apply the credits against taxes payable or
3 shall transfer the credits as provided in this section. Credits
4 shall not be used to lower the price of any Oklahoma-mined coal sold
5 that is produced by a subsidiary of the person receiving a tax
6 credit under this section to other buyers of the Oklahoma-mined
7 coal.

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

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

17 M. No credit otherwise authorized by the provisions of this
18 section may be claimed for any event, transaction, investment,
19 expenditure or other act occurring on or after July 1, 2010, ~~for~~
20 ~~which the credit would otherwise be allowable. The provisions of~~
21 ~~this subsection shall cease to be operative on July 1, 2012.~~
22 ~~Beginning July 1, 2012, the credit authorized by this section may be~~
23 ~~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 through June 30, 2012. Total credits allowed for~~
3 ~~any event, transaction, investment, expenditure or other act~~
4 ~~pursuant to this section for the time period beginning on July 1,~~
5 ~~2012, through December 31, 2013, shall be limited to fifty percent~~
6 ~~(50%) of the total amount of accrued credit. For tax year 2014 and~~
7 ~~all subsequent tax years, no credit shall be allowed for any event,~~
8 ~~transaction, investment, expenditure or other act pursuant to this~~
9 ~~section.~~

10 SECTION 7. AMENDATORY 68 O.S. 2011, Section 2357.25, is
11 amended to read as follows:

12 Section 2357.25 A. Except as provided in subsection K of this
13 section, there shall be allowed a credit against the tax imposed by
14 Section 2355 of this title for direct investments by Oklahoma
15 agricultural producers in Oklahoma producer-owned agricultural
16 processing cooperatives, Oklahoma producer-owned agricultural
17 processing ventures, or Oklahoma producer-owned agricultural
18 processing marketing associations or Oklahoma-owned and -based
19 corporations or partnerships created and designed to develop and
20 advance the production, processing, handling and marketing of
21 agricultural commodities grown, made or manufactured in Oklahoma.
22 For calendar years 1997 and 1998, the amount of the credit shall be
23 thirty percent (30%) of the amount of the investment by the Oklahoma

UNDERLINED language denotes Amendments to present Statutes.
BOLD FACE CAPITALIZED language denotes Committee Amendments.
~~Strike thru~~ language denotes deletion from present Statutes.

1 agricultural producer in Oklahoma producer-owned agricultural
2 processing cooperatives, ventures, or marketing associations.

3 B. For calendar year 2006, and all subsequent years, the credit
4 percentage, not to exceed thirty percent (30%), shall be adjusted
5 annually so that the total estimate of credits does not exceed Two
6 Million Dollars (\$2,000,000.00) annually. The formula to be used
7 for the percentage adjustment shall be thirty percent (30%) times
8 Two Million Dollars (\$2,000,000.00) divided by the credits claimed
9 in the preceding year. In no event shall the credit be claimed more
10 than once by a taxpayer each taxable year.

11 C. In the event the total tax credits authorized by this
12 section exceed Two Million Dollars (\$2,000,000.00) in any calendar
13 year, the Oklahoma Tax Commission shall permit any excess over Two
14 Million Dollars (\$2,000,000.00) but shall factor such excess into
15 the percentage adjustment formula for subsequent years.

16 D. The credits authorized by this act may only be claimed for
17 taxable years beginning after December 31, 2006, and ending before
18 January 1, 2010. The provisions of this subsection shall not be
19 applicable to any credits earned, but not utilized, prior to ~~the~~
20 ~~effective date of this act~~ July 1, 2010.

21 E. If the credit allowed pursuant to this section exceeds the
22 amount of state income taxes due or if there are no state income
23 taxes due on the income of the taxpayer, the amount of credit

24

1 allowed but not used in any taxable year may be carried forward as a
2 credit against subsequent income tax liability for a period not
3 exceeding six (6) years following the year in which the investment
4 was originally made.

5 F. The ~~Oklahoma~~ Tax Commission shall have the authority to
6 prescribe forms for purposes of claiming the credit authorized by
7 this section. The ~~Oklahoma~~ Tax Commission shall be authorized to
8 conduct an investigation of the relevant facts as may be required in
9 order to verify the eligibility of a claimant to receive a credit
10 for any applicable income tax year.

11 G. 1. For any taxable year during which a taxpayer sells or
12 otherwise disposes of the ownership interest for which a tax credit
13 has previously been allowed to the taxpayer or for which a tax
14 credit will be allowed to the taxpayer for the year in which the
15 sale or other disposition of the ownership interest is made, the
16 taxpayer shall be required to reduce the cost of the ownership
17 interest in the Oklahoma producer-owned agricultural processing
18 cooperative, venture, or marketing association, as reported upon the
19 applicable income tax return, by the amount of the tax credit which
20 has previously been granted or for which the taxpayer is claiming
21 credit if the credit is allowable for the year during which the sale
22 or other disposition is made.

23
24

1 2. If a taxpayer sells or otherwise disposes of an ownership
2 interest in the Oklahoma producer-owned agricultural processing
3 cooperative, venture, or marketing association for which the tax
4 credit authorized by this section may be taken in a taxable year
5 following the year in which the ownership interest in the Oklahoma
6 producer-owned agricultural processing cooperative, venture, or
7 marketing association is sold or otherwise disposed of, the credit
8 authorized by this section shall be reduced to account for the prior
9 sale or other disposition.

10 H. The tax credit authorized by this section shall not be
11 available or taken for any calendar year during which the claimant
12 of the credit received any incentive payments pursuant to the
13 Oklahoma Quality Jobs Program Act or the Saving Quality Jobs Act.

14 I. As used in this section:

15 1. "Direct investment" means the payment of money in an
16 Oklahoma producer-owned agricultural processing cooperative,
17 venture, or marketing association or the transfer of any form of
18 economic value, whether tangible or intangible, other than money;

19 2. "Oklahoma producer-owned agricultural processing
20 cooperative" means a legal entity in the nature of a partnership or
21 business undertaking agricultural transactions or agricultural
22 commercial enterprises for mutual profit which are owned and
23 controlled by Oklahoma agricultural producers. An Oklahoma

24

1 producer-owned agricultural processing cooperative requires a
2 community of interest in the performance of the undertaking,
3 transaction or enterprise, a right to direct and govern the policy
4 in connection therewith and the duty, which may be altered by
5 agreement, to share both in profit and losses. The term does not
6 include a cooperative that provides only, and nothing more than,
7 storage, cleaning, or transportation of agricultural commodities;

8 3. "Oklahoma producer-owned agricultural processing venture"
9 means a legal entity in the nature of a corporation or company
10 organized to invest in or operate an agricultural commodity
11 processing facility operated primarily for the processing or
12 production of marketable products from agricultural commodities.
13 The term shall include a dairy operation that requires a depreciable
14 investment of at least Two Hundred Fifty Thousand Dollars
15 (\$250,000.00) and which produces milk from dairy cows. The term
16 does not include a venture that provides only, and nothing more
17 than, storage, cleaning, or transportation of agricultural
18 commodities;

19 4. "Oklahoma producer-owned agricultural processing marketing
20 association" means:

21 a. a legal entity owned by Oklahoma producers of
22 agricultural commodities and organized to jointly
23 market agricultural commodities and/or natural-

24

1 resource-based recreational activities, facilitate the
2 marketing process and to promote and stimulate the
3 processing, sales, and marketing of agricultural
4 commodities, or

- 5 b. a legal entity owned by Oklahoma producers of
6 agricultural commodities and organized for collective
7 marketing and improvement of land for natural-
8 resource-based recreational activity;

9 The term does not include a marketing association that provides
10 only, and nothing more than, storage, cleaning, or transportation of
11 agricultural commodities;

12 5. "Oklahoma agricultural producer" means any person who
13 produces agricultural commodities in this state;

14 6. "Oklahoma-based corporation or partnership" means an entity
15 created pursuant to the Oklahoma General Corporation Act or other
16 laws of the state authorizing either a corporate entity or an entity
17 with limited liability or any form of partnership, whether general,
18 limited or other authorized partnership form having either its
19 principal place of business within the state or substantial assets
20 located within the state. For the purpose of this section, the
21 definition contained in this paragraph shall not include an
22 Oklahoma-based corporation or partnership that engages only in and
23
24

1 nothing more than the storage, cleaning, and transportation or
2 production of its commodity;

3 7. "Agricultural commodities" means a farm or ranch product,
4 including but not limited to, wheat, corn, soybeans, cotton, timber,
5 cattle, hogs, sheep, horses, poultry, animals of the families
6 bovidae, cervidae and antilocapridae or birds of the ratite group
7 produced in farming or ranching operations or a product of such crop
8 or livestock in its unmanufactured state such as ginned cotton,
9 wool-dip, maple syrup, milk and eggs, or any other commodity listed
10 under any Industry Group Number under Major Group 20 of Division D
11 of the Standard Industrial Classification (SIC) Manual; and

12 8. "Dairy operation" means and includes equipment and
13 facilities to store and prepare feed, dairy cows, milking parlors,
14 bulk cooling tanks, buildings, and all such depreciable investment
15 commonly utilized in the dairy industry.

16 J. For purposes of this section, an agricultural commodity
17 shall be deemed to be produced within this state if it is
18 substantially produced, by any person, partnership, company,
19 association or corporation:

20 1. Authorized to do and doing business under the laws of this
21 state;

22 2. Paying all taxes duly assessed; and
23
24

1 3. Domiciled within this state by having a location of
2 production within this state.

3 K. 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~~ through June 30, 2012. Total credits allowed for
12 any event, transaction, investment, expenditure or other act
13 pursuant to this section for the time period beginning on July 1,
14 2012, through December 31, 2013, shall be limited to fifty percent
15 (50%) of the total amount of accrued credit. For tax year 2014 and
16 all subsequent tax years, no credit shall be allowed for any event,
17 transaction, investment, expenditure or other act pursuant to this
18 section.

19 SECTION 8. AMENDATORY 68 O.S. 2011, Section 2357.26, is
20 amended to read as follows:

21 Section 2357.26 A. Except as otherwise provided by subsection
22 G of this section, for tax years beginning after December 31, 2001,
23 there shall be allowed a credit against the tax imposed by Section
24

1 2355 of this title for employers incurring eligible expenses in
2 connection with the provision of child care services.

3 B. As used in this section:

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

5 a. the purchase of qualifying child care services that
6 are actually provided to children of employees, at a
7 program licensed by the Department of Human Services
8 with a rating of two stars or higher pursuant to rules
9 promulgated by the Department, at a:

10 (1) child care center, or

11 (2) family child care home,

12 b. planning, preparing a site and constructing a child
13 care center,

14 c. renovating or remodeling a structure to be used for a
15 child care center,

16 d. purchasing equipment necessary for use by a child care
17 center,

18 e. expanding a child care center,

19 f. maintaining and operating a child care center,
20 including paying direct administrative and staff
21 costs,

22 g. purchasing child care slots actually provided or
23 reserved for children of employees, or

24

1 h. fees and grants provided to child care resource and
2 referral organizations doing business within this
3 state; and

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

7 C. In lieu of a deduction from taxable income, the credit
8 allowed by subsection A of this section shall be twenty percent
9 (20%) of the amount of eligible expenses.

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

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

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

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

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

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

6 G. No credit otherwise authorized by the provisions of this
7 section may be claimed for any event, transaction, investment,
8 expenditure or other act occurring on or after July 1, 2010, ~~for~~
9 ~~which the credit would otherwise be allowable. The provisions of~~
10 ~~this subsection shall cease to be operative on July 1, 2012.~~
11 ~~Beginning July 1, 2012, the credit authorized by this section may be~~
12 ~~claimed for any event, transaction, investment, expenditure or other~~
13 ~~act occurring on or after July 1, 2012, according to the provisions~~
14 ~~of this section through June 30, 2012. Total credits allowed for~~
15 ~~any event, transaction, investment, expenditure or other act~~
16 ~~pursuant to this section for the time period beginning on July 1,~~
17 ~~2012, through December 31, 2013, shall be limited to fifty percent~~
18 ~~(50%) of the total amount of accrued credit. For tax year 2014 and~~
19 ~~all subsequent tax years, no credit shall be allowed for any event,~~
20 ~~transaction, investment, expenditure or other act pursuant to this~~
21 ~~section.~~

22 SECTION 9. AMENDATORY 68 O.S. 2011, Section 2357.27, is
23 amended to read as follows:

1 Section 2357.27 A. Except as otherwise provided by subsection
2 E of this section, for tax years beginning after December 31, 1998,
3 there shall be allowed a credit against the tax imposed by Section
4 2355 of this title for eligible expenses incurred by entities
5 primarily engaged in the business of providing child care services.

6 B. As used in this section, "eligible expenses" means amounts
7 paid by an entity primarily engaged in the business of providing
8 child care services for expenses incurred by the entity to comply
9 with the standards promulgated by a national accrediting association
10 recognized by the Department of Human Services and which would not
11 have been incurred by the entity to comply with the Oklahoma Child
12 Care Facilities Licensing Act.

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

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

20 E. No credit otherwise authorized by the provisions of this
21 section may be claimed for any event, transaction, investment,
22 expenditure or other act occurring on or after July 1, 2010, ~~for~~
23 ~~which the credit would otherwise be allowable. The provisions of~~

1 ~~this subsection shall cease to be operative on July 1, 2012.~~
2 ~~Beginning July 1, 2012, the credit authorized by this section may be~~
3 ~~claimed for any event, transaction, investment, expenditure or other~~
4 ~~act occurring on or after July 1, 2012, according to the provisions~~
5 ~~of this section through June 30, 2012. Total credits allowed for~~
6 ~~any event, transaction, investment, expenditure or other act~~
7 ~~pursuant to this section for the time period beginning on July 1,~~
8 ~~2012, through December 31, 2013, shall be limited to fifty percent~~
9 ~~(50%) of the total amount of accrued credit. For tax year 2014 and~~
10 ~~all subsequent tax years, no credit shall be allowed for any event,~~
11 ~~transaction, investment, expenditure or other act pursuant to this~~
12 ~~section.~~

13 SECTION 10. AMENDATORY 68 O.S. 2011, Section 2357.30, is
14 amended to read as follows:

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

20 B. Except as otherwise provided in subsection E of this
21 section, for taxable years beginning after December 31, 1998, every
22 small business operating within this state shall be entitled to
23 claim as a credit against the tax imposed by Section 2355 of Title
24

1 ~~68 of the Oklahoma Statutes~~ this title, subject to the limitations
2 provided by subsection C of this section, any amount paid to the
3 U.S. Small Business Administration as a guaranty fee pursuant to the
4 obtaining of financing guaranteed by the Small Business
5 Administration.

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

16 D. If the credit authorized by this section exceeds the amount
17 of income taxes due or if there are no state income taxes due on the
18 income of the taxpayer as computed pursuant to the provisions of
19 subsection C of this section, the amount of the credit not used may
20 be carried forward as a credit against subsequent income tax
21 liability for a period not to exceed five (5) years. The credit
22 shall be claimable only by the small business which is the primary
23
24

1 obligor in the financing transaction and which actually paid the
2 guaranty fee.

3 E. 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~~ through June 30, 2012. Total credits allowed for
12 any event, transaction, investment, expenditure or other act
13 pursuant to this section for the time period beginning on July 1,
14 2012, through December 31, 2013, shall be limited to fifty percent
15 (50%) of the total amount of accrued credit. For tax year 2014 and
16 all subsequent tax years, no credit shall be allowed for any event,
17 transaction, investment, expenditure or other act pursuant to this
18 section.

19 SECTION 11. AMENDATORY 68 O.S. 2011, Section 2357.32B,
20 is amended to read as follows:

21 Section 2357.32B A. Except as otherwise provided by subsection
22 G of this section, for tax years beginning on or after January 1,
23 2003, and ending on or before December 31, 2012, there shall be

1 allowed a credit against the tax imposed by Section 624 or 628 of
2 Title 36 of the Oklahoma Statutes, and actually paid to and placed
3 into the General Revenue Fund, or Section 2370 or 2355 of this title
4 to Oklahoma manufacturers of advanced small wind turbines. As used
5 in this section:

6 1. "Oklahoma manufacturers" means manufacturers who operate
7 facilities located in this state which have the capability to
8 manufacture small wind turbine products, including rotor blade and
9 alternator fabrication; and

10 2. "Advanced small wind turbines" means upwind, furling wind
11 turbines that meet the following requirements:

- 12 a. have a rated capacity of at least one kilowatt (1 kw)
13 but not greater than fifty kilowatts (50 kw),
- 14 b. incorporate advanced technologies such as new
15 airfoils, new generators, and new power electronics,
16 variable speed,
- 17 c. at least one unit of each model has undergone testing
18 at the US-DOE National Wind Technology Center, and
- 19 d. comply with appropriate interconnection safety
20 standards of the Institute of Electrical and
21 Electronics Engineers applicable to small wind
22 turbines.

23

24

1 B. The amount of the credit shall be based on the square
2 footage of rotor swept area of advanced small wind turbines
3 manufactured in this state. The amount of the credit shall be
4 Twenty-five Dollars (\$25.00) per square foot produced in calendar
5 year 2003, Twelve Dollars and fifty cents (\$12.50) per square foot
6 produced in calendar year 2004, and Twenty-five Dollars (\$25.00) per
7 square foot produced in calendar years 2005 through 2012.

8 C. The companies claiming the credit allowed by this section
9 shall agree in advance to allow their production and claims to be
10 audited by the Oklahoma Tax Commission and they must be able to show
11 that they have made economic development investments in this state
12 over the period of time for which the credit was claimed that exceed
13 the net proceeds from the amount of credit claimed.

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

20 E. ~~The~~ Before January 1, 2013, the amount of the credit allowed
21 but not used shall be freely transferable at any time during the ten
22 (10) years following the year of qualification. Any person to whom
23 or to which a tax credit is transferred shall have only such rights
24

1 to claim and use the credit under the terms that would have applied
2 to the entity by whom or by which the tax credit was transferred.
3 The provisions of this subsection shall not limit the ability of a
4 tax credit transferee to reduce the tax liability of the transferee
5 regardless of the actual tax liability of the tax credit transferor
6 for the relevant taxable period. The transferor originally allowed
7 the credit and the subsequent transferee shall jointly file a copy
8 of the written credit transfer agreement with the Tax Commission
9 within thirty (30) days of the transfer. The written agreement
10 shall contain the name, address and taxpayer identification number
11 of the parties to the transfer, the amount of the credit being
12 transferred, the year the credit was originally allowed to the
13 transferor and the tax year or years for which the credit may be
14 claimed. The Tax Commission may promulgate rules to permit
15 verification of the validity and timeliness of a tax credit claimed
16 upon a tax return pursuant to this subsection but shall not
17 promulgate any rules that unduly restrict or hinder the transfers of
18 such tax credit. For tax year 2013 and all subsequent tax years, no
19 credit provided pursuant to this section may be allocated by a pass-
20 through entity to a shareholder, partner or member.

21 F. For advanced small wind turbines produced in a calendar
22 year, the tax credit allowed by the provisions of this section, upon
23 election of the taxpayer, shall be treated and may be claimed as a

24

1 payment of tax, a prepayment of tax or a payment of estimated tax
2 for purposes of Section 624 or 628 of Title 36 of the Oklahoma
3 Statutes, and actually paid to and placed into the General Revenue
4 Fund, or Section 2370 or 2355 of this title on or after July 1 of
5 the following calendar year.

6 G. No credit otherwise authorized by the provisions of this
7 section may be claimed for any event, transaction, investment,
8 expenditure or other act occurring on or after July 1, 2010, ~~for~~
9 ~~which the credit would otherwise be allowable. The provisions of~~
10 ~~this subsection shall cease to be operative on July 1, 2012.~~
11 ~~Beginning July 1, 2012, the credit authorized by this section may be~~
12 ~~claimed for any event, transaction, investment, expenditure or other~~
13 ~~act occurring on or after July 1, 2012, according to the provisions~~
14 ~~of this section through June 30, 2012. Total credits allowed for~~
15 ~~any event, transaction, investment, expenditure or other act~~
16 pursuant to this section for the time period beginning on July 1,
17 2012, through December 31, 2013, shall be limited to fifty percent
18 (50%) of the total amount of accrued credit. For tax year 2014 and
19 all subsequent tax years, no credit shall be allowed for any event,
20 transaction, investment, expenditure or other act pursuant to this
21 section.

22 SECTION 12. AMENDATORY 68 O.S. 2011, Section 2357.33, is
23 amended to read as follows:

1 Section 2357.33 A. Except as otherwise provided by subsection
2 E of this section, for taxable years beginning after December 31,
3 1999, there shall be allowed a credit against the tax imposed by
4 Section 2355 of this title for amounts paid by a taxpayer operating
5 one or more food service establishments for immunizations against
6 Hepatitis A for employees of the taxpayer who work in such
7 establishments.

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

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

17 D. The credit provided by this section shall be available to
18 the taxpayer in the tax year in which an employee was immunized and
19 shall not carry forward to subsequent tax years. Such credit shall
20 not be refunded to the taxpayer.

21 E. No credit otherwise authorized by the provisions of this
22 section may be claimed for any event, transaction, investment,
23 expenditure or other act occurring on or after July 1, 2010, ~~for~~

UNDERLINED language denotes Amendments to present Statutes.
BOLD FACE CAPITALIZED language denotes Committee Amendments.
~~Strike thru~~ language denotes deletion from present Statutes.

1 ~~which the credit would otherwise be allowable. The provisions of~~
2 ~~this subsection shall cease to be operative on July 1, 2012.~~
3 ~~Beginning July 1, 2012, the credit authorized by this section may be~~
4 ~~claimed for any event, transaction, investment, expenditure or other~~
5 ~~act occurring on or after July 1, 2012, according to the provisions~~
6 ~~of this section through June 30, 2012. Total credits allowed for~~
7 ~~any event, transaction, investment, expenditure or other act~~
8 ~~pursuant to this section for the time period beginning on July 1,~~
9 ~~2012, through December 31, 2013, shall be limited to fifty percent~~
10 ~~(50%) of the total amount of accrued credit. For tax year 2014 and~~
11 ~~all subsequent tax years, no credit shall be allowed for any event,~~
12 ~~transaction, investment, expenditure or other act pursuant to this~~
13 ~~section.~~

14 SECTION 13. AMENDATORY 68 O.S. 2011, Section 2357.41, is
15 amended to read as follows:

16 Section 2357.41 A. Except as otherwise provided by subsection
17 I of this section, for tax years beginning after December 31, 2000,
18 there shall be allowed a credit against the tax imposed by Sections
19 2355 and 2370 of this title or that portion of the tax imposed by
20 Section 624 or 628 of Title 36 of the Oklahoma Statutes that would
21 otherwise have been apportioned to the General Revenue Fund for
22 qualified rehabilitation expenditures incurred in connection with
23 any certified historic hotel or historic newspaper plant building

24

1 located in an increment or incentive district created pursuant to
2 the Local Development Act or for qualified rehabilitation
3 expenditures incurred after January 1, 2006, in connection with any
4 certified historic structure.

5 B. The amount of the credit shall be one hundred percent (100%)
6 of the federal rehabilitation credit provided for in Section 47 of
7 Title 26 of the United States Code. The credit authorized by this
8 section may be claimed at any time after the relevant local
9 governmental body responsible for doing so issues a certificate of
10 occupancy or other document that is a precondition for the
11 applicable use of the building or structure that is the basis upon
12 which the credit authorized by this section is claimed.

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

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

22 E. All rehabilitation work to which the credit may be applied
23 shall be reviewed by the State Historic Preservation Office which
24

UNDERLINED language denotes Amendments to present Statutes.
BOLD FACE CAPITALIZED language denotes Committee Amendments.
~~Strike thru~~ language denotes deletion from present Statutes.

1 will in turn forward the information to the National Park Service
2 for certification in accordance with 36 C.F.R., Part 67. A
3 certified historic structure may be rehabilitated for any lawful use
4 or uses, including without limitation mixed uses and still retain
5 eligibility for the credit provided for in this section.

6 F. ~~The~~ Before January 1, 2013, the amount of the credit allowed
7 for any credit claimed for a certified historic hotel or historic
8 newspaper plant building or any certified historic structure, but
9 not used, shall be freely transferable, in whole or in part, to
10 subsequent transferees at any time during the five (5) years
11 following the year of qualification. Any person to whom or to which
12 a tax credit is transferred shall have only such rights to claim and
13 use the credit under the terms that would have applied to the entity
14 by whom or by which the tax credit was transferred. The provisions
15 of this subsection shall not limit the ability of a tax credit
16 transferee to reduce the tax liability of the transferee regardless
17 of the actual tax liability of the tax credit transferor for the
18 relevant taxable period. The transferor of the credit and the
19 transferee shall jointly file a copy of the written credit transfer
20 agreement with the Oklahoma Tax Commission within thirty (30) days
21 of the transfer. Such filing of the written credit transfer
22 agreement with the Oklahoma Tax Commission shall perfect such
23 transfer. The written agreement shall contain the name, address and

24

1 taxpayer identification number of the parties to the transfer, the
2 amount of credit being transferred, the year the credit was
3 originally allowed to the transferor, the tax year or years for
4 which the credit may be claimed, and a representation by the
5 transferor that the transferor has neither claimed for its own
6 behalf nor conveyed such credits to any other transferee. The Tax
7 Commission shall develop a standard form for use by subsequent
8 transferees of the credit demonstrating eligibility for the
9 transferee to reduce its applicable tax liabilities resulting from
10 ownership of the credit. The Tax Commission shall develop a system
11 to record and track the transfers of the credit and certify the
12 ownership of the credit and may promulgate rules to permit
13 verification of the validity and timeliness of a tax credit claimed
14 upon a tax return pursuant to this subsection but shall not
15 promulgate any rules which unduly restrict or hinder the transfers
16 of such tax credit. For tax year 2013 and all subsequent tax years,
17 no credit provided pursuant to this section may be allocated by a
18 pass-through entity to a shareholder, partner or member.

19 G. Notwithstanding any other provisions in this section, on or
20 after January 1, 2009, if a credit allowed pursuant to this section
21 which has been transferred is subsequently reduced as the result of
22 an adjustment by the Internal Revenue Service, Tax Commission, or
23 any other applicable government agency, only the transferor

24

1 originally allowed the credit and not any subsequent transferee of
2 the credit, shall be held liable to repay any amount of disallowed
3 credit.

4 H. As used in this section:

5 1. "Certified historic hotel or historic newspaper plant
6 building" means a hotel or newspaper plant building that is listed
7 on the National Register of Historic Places within thirty (30)
8 months of taking the credit pursuant to this section;

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

18 3. "Qualified rehabilitation expenditures" means capital
19 expenditures that qualify for the federal rehabilitation credit
20 provided in Section 47 of Title 26 of the United States Code and
21 that were paid after December 31, 2000. Qualified rehabilitation
22 expenditures do not include capital expenditures for nonhistoric
23 additions except an addition that is required by state or federal

24

1 regulations that relate to safety or accessibility. In addition,
2 qualified rehabilitation expenditures do not include expenditures
3 related to the cost of acquisition of the property.

4 I. 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 until the provisions~~
8 ~~of 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, 2010, according to the provisions~~
12 ~~of this section.~~ except as follows:

13 1. Any tax credits which accrue during the period of July 1,
14 2010, through June 30, 2012, may not be claimed for any period prior
15 to the taxable year beginning January 1, 2012. No credits which
16 accrue during the period of July 1, 2010, through June 30, 2012, may
17 be used to file an amended tax return for any taxable year prior to
18 the taxable year beginning January 1, 2012;

19 2. Any event, transaction, investment, expenditure or other act
20 occurring on or after July 1, 2012, and before January 1, 2014,
21 shall be limited to fifty percent (50%) of the total amount of
22 accrued credit; and

23
24

UNDERLINED language denotes Amendments to present Statutes.
BOLD FACE CAPITALIZED language denotes Committee Amendments.
~~Strike thru~~ language denotes deletion from present Statutes.

1 3. 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 January 1, 2014.

4 SECTION 14. AMENDATORY 68 O.S. 2011, Section 2357.43, is
5 amended to read as follows:

6 Section 2357.43 ~~For tax years beginning after December 31,~~
7 ~~2001, there~~ There shall be allowed to a resident individual or a
8 part-year resident individual ~~as~~ a credit against the tax imposed by
9 Section 2355 of this title ~~five percent (5%)~~ equal to a percentage
10 of the earned income tax credit allowed under Section 32 of the
11 Internal Revenue Code of the United States, 26 U.S.C., Section 32.
12 For tax years 2002 through 2012, the credit shall be equal to five
13 percent (5%) of the earned income tax credit allowed under the
14 Internal Revenue Code, 26 U.S.C., Section 32. For tax year 2013,
15 the credit allowed shall be equal to two and one-half percent
16 (2.5%). For tax year 2014 and all subsequent tax years, no credit
17 shall be allowed pursuant to this section. However, this credit
18 shall not be paid in advance pursuant to the provisions of Section
19 3507 of the Internal Revenue Code. If the credit exceeds the tax
20 imposed by Section 2355 of this title, the excess amount shall be
21 refunded to the taxpayer. The maximum earned income tax credit
22 allowable on the Oklahoma income tax return shall be prorated on the
23
24

1 ratio that Oklahoma adjusted gross income bears to the federal
2 adjusted gross income.

3 SECTION 15. AMENDATORY 68 O.S. 2011, Section 2357.45, is
4 amended to read as follows:

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

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

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

1 Dollars (\$1,000,000.00) divided by the credits claimed
2 in the preceding year for each donation to a cancer
3 research institute,

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

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

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

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

1 institute, the Oklahoma Tax Commission shall permit
2 any excess over One Million Dollars (\$1,000,000.00)
3 but shall factor such excess into the percentage
4 adjustment formula for subsequent years for that type
5 of donation. However, any such adjustment to the
6 formula for donations to an independent biomedical
7 research institute shall not affect the formula for
8 donations to a cancer research institute, and any such
9 adjustment to the formula for donations to a cancer
10 research institute shall not affect the formula for
11 donations to an independent biomedical research
12 institute, and

13 f. notwithstanding the provisions of this section, the
14 credit which would have been allowed pursuant to this
15 section for any donation made for tax year 2013, shall
16 be limited to fifty percent (50%) of the total amount
17 of credit accrued. For tax year 2014 and all
18 subsequent tax years, no credit shall be allowed for
19 any donation made pursuant to this section.

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

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

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

10 4. For purposes of this section, "cancer research institute"
11 means an organization which is exempt from taxation pursuant to the
12 Internal Revenue Code and whose primary focus is raising the
13 standard of cancer clinical care in Oklahoma through peer-reviewed
14 cancer research and education or a not-for-profit supporting
15 organization, as that term is defined by the Internal Revenue Code,
16 affiliated with a tax-exempt organization whose primary focus is
17 raising the standard of cancer clinical care in Oklahoma through
18 peer-reviewed cancer research and education. The tax-exempt
19 organization whose primary focus is raising the standard of cancer
20 clinical care in Oklahoma through peer-reviewed cancer research and
21 education shall:

- 22 a. either be an independent research institute or a
23 program that is part of a state university which is a

1 member of The Oklahoma State System of Higher
2 Education, and

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

5 B. In no event shall the amount of the credit exceed the amount
6 of any tax liability of the taxpayer.

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

10 D. The Tax Commission shall have the authority to prescribe
11 forms for purposes of claiming the credit authorized by this
12 section.

13 SECTION 16. AMENDATORY 68 O.S. 2011, Section 2357.46, is
14 amended to read as follows:

15 Section 2357.46 A. Except as otherwise provided by subsection
16 G of this section, for tax years beginning after December 31, 2005,
17 there shall be allowed a credit against the tax imposed by Section
18 2355 of ~~Title 68 of Oklahoma Statutes~~ this title for eligible
19 expenditures incurred by a contractor in the construction of energy
20 efficient residential property of two thousand (2,000) square feet
21 or less. The amount of the credit shall be based upon the
22 following:

1 1. For any eligible energy efficient residential property
2 constructed and certified as forty percent (40%) or more above the
3 International Energy Conservation Code 2003 and any supplement in
4 effect at the time of completion, the amount of the credit shall be
5 equal to the eligible expenses, not to exceed Four Thousand Dollars
6 (\$4,000.00) for the taxpayer who is the contractor; and

7 2. For any eligible energy efficient residential property
8 constructed and certified as between twenty percent (20%) and
9 thirty-nine percent (39%) above the International Energy
10 Conservation Code 2003 and any supplement in effect at the time of
11 completion, the credit shall be equal to the eligible expenditures,
12 not to exceed Two Thousand Dollars (\$2,000.00) for the taxpayer who
13 is the contractor.

14 B. As used in this section:

15 1. "Eligible expenditure" means any:

- 16 a. energy efficient heating or cooling system,
- 17 b. insulation material or system which is specifically
18 and primarily designed to reduce the heat gain or loss
19 of a residential property when installed in or on such
20 property,
- 21 c. exterior windows, including skylights,
- 22 d. exterior doors, and

23
24

1 e. any metal roof installed on a residential property,
2 but only if such roof has appropriate pigmented
3 coatings which are specifically and primarily designed
4 to reduce the heat gain of such dwelling unit and
5 which meet Energy Star program requirements;

6 2. "Contractor" means the taxpayer who constructed the
7 residential property or manufactured home, or if more than one
8 taxpayer qualifies as the contractor, the primary contractor; and

9 3. "Eligible energy efficient residential property" means a
10 newly constructed residential property or manufactured home property
11 which is located in the State of Oklahoma and substantially complete
12 after December 31, 2005, and which is two thousand (2,000) square
13 feet or less:

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

- 18 (1) a level of annual heating and cooling energy
19 consumption which is at least forty percent (40%)
20 below the annual level of heating and cooling
21 energy consumption of a comparable residential
22 property constructed in accordance with the
23 standards of Chapter 4 of the 2003 International

1 Energy Conservation Code, as such code is in
2 effect on ~~the effective date of this act~~ November
3 1, 2005,

4 (2) heating and cooling equipment efficiencies which
5 correspond to the minimum allowed under the
6 regulations established by the Department of
7 Energy pursuant to the National Appliance Energy
8 Conservation Act of 1987 and in effect at the
9 time of construction of the property, and

10 (3) building envelope component improvements which
11 account for at least one-fifth of the reduced
12 annual heating and cooling energy consumption
13 levels,

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

18 (1) a level of annual heating and cooling energy
19 consumption which is between twenty percent (20%)
20 and thirty-nine percent (39%) below the annual
21 level of heating and cooling energy consumption
22 of a comparable residential property constructed
23 in accordance with the standards of Chapter 4 of

1 the 2003 International Energy Conservation Code,
2 as such code is in effect on ~~the effective date~~
3 ~~of this act~~ November 1, 2005,

4 (2) heating and cooling equipment efficiencies which
5 correspond to the minimum allowed under the
6 regulations established by the Department of
7 Energy pursuant to the National Appliance Energy
8 Conservation Act of 1987 and in effect at the
9 time of construction of the property, and

10 (3) building envelope component improvements which
11 account for at least one-third of the reduced
12 annual heating and cooling energy consumption
13 levels.

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

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

1 E. For credits earned on or after ~~the effective date of this~~
2 ~~act~~ August 25, 2006, through December 31, 2012, the credits
3 authorized by this section shall be freely transferable to
4 subsequent transferees. For tax year 2013 and all subsequent tax
5 years, no credit provided pursuant to this section may be allocated
6 by a pass-through entity to a shareholder, partner or member.

7 F. The Oklahoma Tax Commission shall promulgate rules necessary
8 to implement this act.

9 G. No credit otherwise authorized by the provisions of this
10 section may be claimed for any event, transaction, investment,
11 expenditure or other act occurring on or after July 1, 2010 ~~for~~
12 ~~which the credit would otherwise be allowable. The provisions of~~
13 ~~this subsection shall cease to be operative on July 1, 2012.~~
14 ~~Beginning July 1, 2012, the credit authorized by this section may be~~
15 ~~claimed for any event, transaction, investment, expenditure or other~~
16 ~~act occurring on or after July 1, 2012, according to the provisions~~
17 ~~of this section, through June 30, 2012. Total credits allowed for~~
18 any event, transaction, investment, expenditure or other act
19 pursuant to this section for the time period beginning on July 1,
20 2012, through December 31, 2013, shall be limited to fifty percent
21 (50%) of the total amount of accrued credit. For tax year 2014 and
22 all subsequent tax years, no credit shall be allowed for any event,
23
24

1 transaction, investment, expenditure or other act pursuant to this
2 section.

3 SECTION 17. AMENDATORY 68 O.S. 2011, Section 2357.47, is
4 amended to read as follows:

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

15 2. Except as otherwise provided by subsection D of this
16 section, for tax years beginning after December 31, 2005, there
17 shall be allowed against the tax imposed by Section 2355 of this
18 title, a credit for eligible modification expenses of an employer.
19 The amount of the credit shall be fifty percent (50%) of the amount
20 of the funds expended for eligible modification expenses or new
21 tools or equipment but in no event shall the credit exceed One
22 Thousand Dollars (\$1,000.00) for eligible modification expenses
23 incurred for any single employee. In no event shall the total
24

1 credit claimed exceed Ten Thousand Dollars (\$10,000.00) in any year
2 for any taxpayer.

3 3. As used in this section:

- 4 a. "employee", "employer", "maximum medical improvement",
5 "treating physician", and "wages" shall be defined as
6 in Section 3 of Title 85 of the Oklahoma Statutes,
7 b. "eligible wages" means gross wages paid by an employer
8 to an employee who is injured as a result of an injury
9 which is compensable under the Workers' Compensation
10 Act and which are paid beginning when the employee
11 returns to work with restricted duties as provided by
12 the employee's treating physician or an independent
13 medical examiner before the employee has reached
14 maximum medical improvement, and ending after ninety
15 (90) days or when the employee has reached maximum
16 medical improvement, and
17 c. "eligible modification expenses" means expenses
18 incurred by an employer to modify a workplace, tools
19 or equipment or to obtain new tools or equipment and
20 which are incurred by an employer solely to enable a
21 specific injured employee who is injured as a result
22 of an injury which is compensable under the Workers'
23 Compensation Act to return to work with restricted

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

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

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

11 D. 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~~ through June 30, 2012. Total credits allowed for
20 any event, transaction, investment, expenditure or other act
21 pursuant to this section for the time period beginning on July 1,
22 2012, through December 31, 2013, shall be limited to fifty percent
23 (50%) of the total amount of accrued credit. For tax year 2014 and

1 all subsequent tax years, no credit shall be allowed for any event,
2 transaction, investment, expenditure or other act pursuant to this
3 section.

4 SECTION 18. AMENDATORY 68 O.S. 2011, Section 2357.59, is
5 amended to read as follows:

6 Section 2357.59 A. Except as otherwise provided by subsection
7 F of this section, if any person, firm, corporation, partnership or
8 other legal entity has made application or filed an information
9 report on forms prescribed by the Oklahoma Tax Commission to receive
10 a credit against the tax imposed by Section 2355 of this title or
11 Section 624 of Title 36 of the Oklahoma Statutes pursuant to the
12 provisions of Sections 2357.23, 2357.51, 2357.52, 2357.53, 2357.54,
13 2357.55, 2357.56, 2357.57 or 2357.58 of this title on or before July
14 1, 1993, such credit may be received notwithstanding the provisions
15 of Section 51 of Senate Bill No. 459 of the 1st Session of the 44th
16 Oklahoma Legislature or that the other requirements for allowance of
17 such credit are not established until after July 1, 1993.

18 B. Except as provided in this section, no person, firm,
19 corporation, partnership or other legal entity shall qualify to
20 receive any such credit after July 1, 1993.

21 C. For any person, firm, corporation, partnership or other
22 legal entity or its successor who has filed the information report
23 specified in subsection A of this section, for taxable years

24

1 beginning after December 31, 1995, and ending on or before December
2 31, 2000, there shall be allowed a credit against the tax imposed by
3 Section 2355 of this title for fifteen percent (15%) of the
4 investment cost of a new qualified recycling facility. A person,
5 firm, corporation, partnership or other legal entity or its
6 successor which has withdrawn its application or information report
7 specified in subsection A of this section shall not be eligible for
8 such credit. For purposes of this subsection, a "qualified
9 recycling facility" shall mean buildings, land, improvements,
10 machinery and equipment located in Oklahoma and used in
11 manufacturing as defined by the Standard Industrial Classification
12 Code and at which facility is produced a qualified finished product,
13 provided that up to ten percent (10%) of the square feet of a
14 building may be devoted to office space used to provide clerical
15 support for the manufacturing operation. Such ten percent (10%) may
16 be in a separate building as long as it is part of the same
17 contiguous tract of property on which the manufacturing facility is
18 located. For purposes of this subsection, a "qualified finished
19 product" shall mean a marketable product or component thereof which
20 has economic value to the consumer and ninety percent (90%) of which
21 is composed of materials which have been separated, diverted or
22 removed from the waste stream and incorporated into the finished
23 product by any means or method.

24

1 D. The credit provided for in subsection C of this section
2 shall be subject to the following limitations:

3 1. The credit shall apply to investment in a qualified
4 recycling facility only if construction or on-site installation of
5 the facility commences on or after January 1, 1996, and before
6 December 31, 1999;

7 2. The credit shall only be available if the total cost of the
8 new qualified recycling facility exceeds Twenty Million Dollars
9 (\$20,000,000.00) and employs at least seventy-five new full-time-
10 equivalent employees, as certified by the Oklahoma Employment
11 Security Commission;

12 3. The credit shall be initially allowed for the tax year in
13 which the qualified recycling facility is placed in service.
14 However, any credit allowed but not used in any tax year due to the
15 limitation provided in paragraph 4 of this subsection shall be
16 carried over in order, but used only once, to each of the fourteen
17 (14) years following the year of initial allowance; and

18 4. The credit shall not be utilized in any tax year to reduce
19 the income tax liability of the owner of the qualified recycling
20 facility for such year by more than fifty percent (50%) of the tax
21 liability calculated from the income of the qualified recycling
22 facility. For purposes of subsections C and D of this section, the
23
24

1 "owner" shall include the user of a qualified recycling facility
2 under a lease with a term of five (5) years or more.

3 E. The Oklahoma Tax Commission may promulgate rules in order to
4 implement the provisions of this section including requirements to
5 submit any additional information as deemed necessary to implement
6 and administer this credit.

7 F. No credit otherwise authorized by the provisions of this
8 section 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 subsection shall cease to be operative on July 1, 2012.~~
12 ~~Beginning July 1, 2012, the credit authorized by this section may be~~
13 ~~claimed for any event, transaction, investment, expenditure or other~~
14 ~~act occurring on or after July 1, 2012, according to the provisions~~
15 ~~of this section~~ through June 30, 2012. Total credits allowed for
16 any event, transaction, investment, expenditure or other act
17 pursuant to this section for the time period beginning on July 1,
18 2012, through December 31, 2013, shall be limited to fifty percent
19 (50%) of the total amount of accrued credit. For tax year 2014 and
20 all subsequent tax years, no credit shall be allowed for any event,
21 transaction, investment, expenditure or other act pursuant to this
22 section.

23

24

1 SECTION 19. AMENDATORY 68 O.S. 2011, Section 2357.81, is
2 amended to read as follows:

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

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

1 31 of each calendar year as to the amount of ad valorem taxes which
2 would have been payable by the owner of the facility without the
3 exemption provided by Section 860 of Title 62 of the Oklahoma
4 Statutes.

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

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

23
24

UNDERLINED language denotes Amendments to present Statutes.
BOLD FACE CAPITALIZED language denotes Committee Amendments.
~~Strike thru~~ language denotes deletion from present Statutes.

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

6 F. No credit otherwise authorized by the provisions of this
7 section may be claimed for any event, transaction, investment,
8 expenditure or other act occurring on or after July 1, 2010, ~~for~~
9 ~~which the credit would otherwise be allowable. The provisions of~~
10 ~~this subsection shall cease to be operative on July 1, 2012.~~
11 ~~Beginning July 1, 2012, the credit authorized by this section may be~~
12 ~~claimed for any event, transaction, investment, expenditure or other~~
13 ~~act occurring on or after July 1, 2012, according to the provisions~~
14 ~~of this section through June 30, 2012. Total credits allowed for~~
15 ~~any event, transaction, investment, expenditure or other act~~
16 pursuant to this section for the time period beginning on July 1,
17 2012, through December 31, 2013, shall be limited to fifty percent
18 (50%) of the total amount of accrued credit. For tax year 2014 and
19 all subsequent tax years, no credit shall be allowed for any event,
20 transaction, investment, expenditure or other act pursuant to this
21 section.

22 SECTION 20. AMENDATORY 68 O.S. 2011, Section 2357.100,
23 is amended to read as follows:
24

1 Section 2357.100 A. For taxable years beginning after December
2 31, 2004, and ending on or before December 31, 2009, there shall be
3 allowed a credit against the tax imposed by Section 2355 of this
4 title for the purchase and transportation of poultry litter.
5 Subject to the limitations provided in subsection C of this section,
6 the credit shall be available to the purchaser of the poultry litter
7 and shall equal Five Dollars (\$5.00) per ton purchased and
8 transported.

9 B. Except as provided in subsection F of this section, for
10 taxable years beginning after December 31, 2009, and ending on or
11 before December 31, 2013, there shall be allowed a credit against
12 the tax imposed by Section 2355 of this title for the purchase and
13 transportation of poultry litter. Subject to the limitations
14 provided in subsection C of this section, the credit shall be
15 available to the purchaser of the poultry litter and shall equal Ten
16 Dollars (\$10.00) per ton purchased and transported.

17 C. 1. The total of the credits authorized by this section
18 shall not exceed Three Hundred Seventy-five Thousand Dollars
19 (\$375,000.00) annually. The amount of the credit for each purchaser
20 shall be adjusted annually so that the total estimate of the credits
21 authorized by this section does not exceed Three Hundred Seventy-
22 five Thousand Dollars (\$375,000.00). The formula to be used for the
23 percentage adjustment shall be Three Hundred Seventy-five Thousand

1 Dollars (\$375,000.00) divided by the credits claimed in the
2 preceding year. In no event shall the credit be claimed more than
3 once by a taxpayer each taxable year.

4 2. In the event the total tax credits authorized by this
5 section exceed Three Hundred Seventy-five Thousand Dollars
6 (\$375,000.00) in any calendar year, the Oklahoma Tax Commission
7 shall permit any excess over Three Hundred Seventy-five Thousand
8 Dollars (\$375,000.00) but shall factor such excess into the
9 percentage adjustment formula for subsequent years.

10 D. In order to qualify for the credit provided for in
11 subsections A and B of this section:

12 1. The poultry litter shall only be purchased from an Oklahoma-
13 based poultry operation registered with the State Board of
14 Agriculture and located within an environmentally sensitive and
15 nutrient-limited watershed area as defined in the most recent
16 Oklahoma Water Quality Standards;

17 2. The poultry litter shall be used or spread in a watershed
18 that is not environmentally sensitive and nutrient-limited as
19 defined in the most recent Oklahoma Water Quality Standards; and

20 3. The poultry litter shall be applied by a certified poultry
21 waste applicator as defined by Section 10-9.1 of Title 2 of the
22 Oklahoma Statutes and in accordance with the provisions of ~~Sections~~
23 ~~10-9.16 through 10-9.21 of Title 2 of the Oklahoma Statutes~~ the

24

1 Oklahoma Poultry Waste Applicators Certification Act and any rules
2 promulgated by the Oklahoma Department of Agriculture, Food, and
3 Forestry.

4 E. The credit allowed by this section shall be available to the
5 taxpayer in the year in which the poultry litter was purchased and
6 transported, provided the taxpayer is found by the Oklahoma
7 Department of Agriculture, Food, and Forestry to have applied the
8 poultry litter in a manner consistent with an Animal Waste
9 Management Plan, as defined in Section 10-9.1 of Title 2 of the
10 Oklahoma Statutes, specifically designed to restore and protect
11 beneficial uses from impairment from nutrients. If the credit
12 exceeds the amount of income taxes due or if there are no state
13 income taxes due on the income of the taxpayer, the amount of the
14 credit not used as an offset against the income taxes for a year may
15 be carried forward as a credit against subsequent income tax
16 liability for a period not to exceed five (5) years.

17 F. No credit otherwise authorized by the provisions of this
18 section may be claimed for any event, transaction, investment,
19 expenditure or other act occurring on or after July 1, 2010, ~~for~~
20 ~~which the credit would otherwise be allowable. The provisions of~~
21 ~~this subsection shall cease to be operative on July 1, 2012.~~
22 ~~Beginning July 1, 2012, the credit authorized by this section may be~~
23 ~~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~~ through June 30, 2012. Total credits allowed for
3 any event, transaction, investment, expenditure or other act
4 pursuant to this section for the time period beginning on July 1,
5 2012, through December 31, 2013, shall be limited to fifty percent
6 (50%) of the total amount of accrued credit. For tax year 2014 and
7 all subsequent tax years, no credit shall be allowed for any event,
8 transaction, investment, expenditure or other act pursuant to this
9 section.

10 SECTION 21. AMENDATORY 68 O.S. 2011, Section 2357.101,
11 is amended to read as follows:

12 Section 2357.101 A. Except as otherwise provided in subsection
13 ~~§ E~~ E of this section, for taxable years beginning after December 31,
14 2004, there shall be allowed against the tax imposed by Section 2355
15 of ~~Title 68 of the Oklahoma Statutes~~ this title, a credit equal to
16 twenty-five percent (25%) of the amount of profit made by a taxpayer
17 from investment in an existing Oklahoma film or music project with a
18 production company to pay for production costs that is reinvested by
19 the taxpayer with the production company to pay for the production
20 cost of the production company for a new Oklahoma film or music
21 project.

22
23
24

UNDERLINED language denotes Amendments to present Statutes.
BOLD FACE CAPITALIZED language denotes Committee Amendments.
~~Strike thru~~ language denotes deletion from present Statutes.

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

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

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

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

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

23

24

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

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

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

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

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

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

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

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

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

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

21 ~~G.~~ E. No credit otherwise authorized by the provisions of this
22 section may be claimed for any event, transaction, investment,
23 expenditure or other act occurring on or after July 1, 2010, ~~for~~

1 ~~which the credit would otherwise be allowable. The provisions of~~
2 ~~this subsection shall cease to be operative on July 1, 2012.~~
3 ~~Beginning July 1, 2012, the credit authorized by this section may be~~
4 ~~claimed for any event, transaction, investment, expenditure or other~~
5 ~~act occurring on or after July 1, 2012, according to the provisions~~
6 ~~of this section through June 30, 2012. Total credits allowed for~~
7 ~~any event, transaction, investment, expenditure or other act~~
8 ~~pursuant to this section for the time period beginning on July 1,~~
9 ~~2012, through December 31, 2013, shall be limited to fifty percent~~
10 ~~(50%) of the total amount of accrued credit. For tax year 2014 and~~
11 ~~all subsequent tax years, no credit shall be allowed for any event,~~
12 ~~transaction, investment, expenditure or other act pursuant to this~~
13 ~~section.~~

14 SECTION 22. AMENDATORY 68 O.S. 2011, Section 2357.102,
15 is amended to read as follows:

16 Section 2357.102 A. Except as otherwise provided by subsection
17 G of this section, for taxable years beginning after December 31,
18 2005, there shall be allowed a credit against the tax imposed by
19 Section 2355 of ~~Title 68 of the Oklahoma Statutes~~ this title for the
20 cost of the purchase of a dry fire hydrant or the cost to provide an
21 acceptable means of water storage for such dry fire hydrant
22 including a pond, tank, or other storage facility with the primary
23 purpose of fire protection within the State of Oklahoma. The credit

1 shall be equal to fifty percent (50%) of the purchase price of the
2 dry fire hydrant or the actual expenditure for any new water storage
3 construction, equipment, development and installation of the dry
4 hydrant, including pipes, valves, hydrants, and labor for each
5 installation of a dry hydrant or new water storage facility but in
6 no event shall the amount of the credit exceed Five Thousand Dollars
7 (\$5,000.00) for each taxpayer.

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

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

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

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

20 C. In no event shall the amount of the credit exceed the amount
21 of any tax liability of the taxpayer.

22
23
24

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

4 E. The Oklahoma Tax Commission and the State Fire Marshal
5 Commission shall promulgate rules to establish the requirements for
6 the construction of a dry fire hydrant or new water storage facility
7 and permit verification of eligibility of a dry fire hydrant or new
8 water storage facility for the credit provided for in subsection A
9 of this section.

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

13 G. No credit otherwise authorized by the provisions of this
14 section may be claimed for any event, transaction, investment,
15 expenditure or other act occurring on or after July 1, 2010, ~~for~~
16 ~~which the credit would otherwise be allowable. The provisions of~~
17 ~~this subsection shall cease to be operative on July 1, 2012.~~
18 ~~Beginning July 1, 2012, the credit authorized by this section may be~~
19 ~~claimed for any event, transaction, investment, expenditure or other~~
20 ~~act occurring on or after July 1, 2012, according to the provisions~~
21 ~~of this section~~ through June 30, 2012. Total credits allowed for
22 any event, transaction, investment, expenditure or other act
23 pursuant to this section for the time period beginning on July 1,

1 2012, through December 31, 2013, shall be limited to fifty percent
2 (50%) of the total amount of accrued credit. For tax year 2014 and
3 all subsequent tax years, no credit shall be allowed for any event,
4 transaction, investment, expenditure or other act pursuant to this
5 section.

6 SECTION 23. AMENDATORY 68 O.S. 2011, Section 2357.104,
7 is amended to read as follows:

8 Section 2357.104 A. Except as otherwise provided by subsection
9 G of this section, for taxable years beginning after December 31,
10 2005, there shall be allowed a credit against the tax imposed by
11 Section 2355 of this title equal to fifty percent (50%) of an
12 eligible taxpayer's qualified railroad reconstruction or replacement
13 expenditures.

14 B. 1. Except as provided in paragraph 2 of this subsection,
15 the amount of the credit shall be limited to the product of Five
16 Hundred Dollars (\$500.00) for tax year 2007 and Two Thousand Dollars
17 (\$2,000.00) for tax year 2008 and subsequent tax years and the
18 number of miles of railroad track owned or leased within this state
19 by the eligible taxpayer as of the close of the taxable year.

20 2. In tax year 2009 and subsequent tax years, a taxpayer may
21 elect to increase the limit provided in paragraph 1 of this
22 subsection to an amount equal to three times the limit specified in
23 paragraph 1 of this subsection for qualified expenditures made in
24

1 the tax year, provided the taxpayer may only claim one third (1/3)
2 of the credit in any one taxable period.

3 C. ~~The~~ Before January 1, 2013, the credit allowed pursuant to
4 subsection A of this section but not used shall be freely
5 transferable, by written agreement, to subsequent transferees at any
6 time during the five (5) years following the year of qualification.
7 An eligible transferee shall be any taxpayer subject to the tax
8 imposed by Section 2355 of this title. The person originally
9 allowed the credit and the subsequent transferee shall jointly file
10 a copy of the written credit transfer agreement with the Oklahoma
11 Tax Commission within thirty (30) days of the transfer. The written
12 agreement shall contain the name, address and taxpayer
13 identification number of the parties to the transfer, the amount of
14 credit being transferred, the year the credit was originally allowed
15 to the transferring person and the tax year or years for which the
16 credit may be claimed. The Tax Commission shall promulgate rules to
17 permit verification of the timeliness of a tax credit claimed upon a
18 tax return pursuant to this subsection but shall not promulgate any
19 rules which unduly restrict or hinder the transfers of such tax
20 credit. The Department of Transportation shall promulgate rules to
21 permit verification of the eligibility of an eligible taxpayer's
22 expenditures for the purpose of claiming the credit. The rules
23 shall provide for the approval of qualified railroad reconstruction

24

1 or replacement expenditures prior to commencement of a project and
2 provide a certificate of verification upon completion of a project
3 that uses qualified railroad reconstruction or replacement
4 expenditures. The certificate of verification shall satisfy all
5 requirements of the Tax Commission pertaining to the eligibility of
6 the person claiming the credit. For tax year 2013 and all
7 subsequent tax years, no credit provided pursuant to this section
8 may be allocated by a pass-through entity to a shareholder, partner
9 or member.

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~~ through June 30, 2012. Total credits allowed for
20 any event, transaction, investment, expenditure or other act
21 pursuant to this section for the time period beginning on July 1,
22 2012, through December 31, 2013, shall be limited to fifty percent
23 (50%) of the total amount of accrued credit. For tax year 2014 and

1 all subsequent tax years, no credit shall be allowed for any event,
2 transaction, investment, expenditure or other act pursuant to this
3 section.

4 SECTION 24. AMENDATORY 68 O.S. 2011, Section 2357.203,
5 is amended to read as follows:

6 Section 2357.203 A. As used in this section:

7 1. "Nonqualified operating expenditures" means labor costs,
8 salary and other compensation, whether direct or indirect, paid to
9 directors, officers, limited liability company members, limited
10 liability company managers, partners or other principals or
11 employees of the business entity;

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

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

22 B. Except as provided in subsection F of this section, for
23 taxable years beginning after December 31, 2005, there shall be

24

1 allowed a credit against the tax imposed pursuant to Section 2355 of
2 ~~Title 68 of the Oklahoma Statutes~~ this title in the amount of fifty
3 percent (50%) of the qualified direct costs associated with the
4 operation of a business enterprise the principal purpose of which is
5 the rearing of specially trained canines.

6 C. The provisions of this section shall not be applicable to
7 nonqualified operating expenditures.

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

13 E. The Oklahoma Tax Commission shall be authorized to prescribe
14 such forms as may be necessary in order to administer the tax credit
15 authorized by this section. The Tax Commission may request such
16 additional documentation as may be required from the taxpayer in
17 order to verify the eligibility for the credit authorized by this
18 section.

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

1 ~~Beginning July 1, 2012, the credit authorized by this section may be~~
2 ~~claimed for any event, transaction, investment, expenditure or other~~
3 ~~act occurring on or after July 1, 2012, according to the provisions~~
4 ~~of this section~~ through June 30, 2012. Total credits allowed for
5 any event, transaction, investment, expenditure or other act
6 pursuant to this section for the time period beginning on July 1,
7 2012, through December 31, 2013, shall be limited to fifty percent
8 (50%) of the total amount of accrued credit. For tax year 2014 and
9 all subsequent tax years, no credit shall be allowed for any event,
10 transaction, investment, expenditure or other act pursuant to this
11 section.

12 SECTION 25. AMENDATORY 68 O.S. 2011, Section 2358, is
13 amended to read as follows:

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

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

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

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

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

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

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

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

24

1 separately determined by reference to Section 172 of
2 the Internal Revenue Code, 26 U.S.C., Section 172, as
3 modified by the Oklahoma Income Tax Act, ~~Section 2351~~
4 ~~et seq. of this title~~, and shall be allowed without
5 regard to the existence of a federal net operating
6 loss. For tax years beginning after December 31,
7 2000, and ending before January 1, 2008, the years to
8 which such losses may be carried shall be determined
9 solely by reference to Section 172 of the Internal
10 Revenue Code, 26 U.S.C., Section 172, with the
11 exception that the terms "net operating loss" and
12 "taxable income" shall be replaced with "Oklahoma net
13 operating loss" and "Oklahoma taxable income". For
14 tax years beginning after December 31, 2007, and
15 ending before January 1, 2009, years to which such
16 losses may be carried back shall be limited to two (2)
17 years. For tax years beginning after December 31,
18 2008, the years to which such losses may be carried
19 back shall be determined solely by reference to
20 Section 172 of the Internal Revenue Code, 26 U.S.C.,
21 Section 172, with the exception that the terms "net
22 operating loss" and "taxable income" shall be replaced

1 with "Oklahoma net operating loss" and "Oklahoma
2 taxable income".

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

8 a. Income from real and tangible personal property, such
9 as rents, oil and mining production or royalties, and
10 gains or losses from sales of such property, shall be
11 allocated in accordance with the situs of such
12 property;

13 b. Income from intangible personal property, such as
14 interest, dividends, patent or copyright royalties,
15 and gains or losses from sales of such property, shall
16 be allocated in accordance with the domiciliary situs
17 of the taxpayer, except that:

18 (1) where such property has acquired a nonunitary
19 business or commercial situs apart from the
20 domicile of the taxpayer such income shall be
21 allocated in accordance with such business or
22 commercial situs; interest income from
23 investments held to generate working capital for
24

1 a unitary business enterprise shall be included
2 in apportionable income; a resident trust or
3 resident estate shall be treated as having a
4 separate commercial or business situs insofar as
5 undistributed income is concerned, but shall not
6 be treated as having a separate commercial or
7 business situs insofar as distributed income is
8 concerned,

9 (2) for taxable years beginning after December 31,
10 2003, capital or ordinary gains or losses from
11 the sale of an ownership interest in a publicly
12 traded partnership, as defined by Section 7704(b)
13 of the Internal Revenue Code of 1986, as amended,
14 shall be allocated to this state in the ratio of
15 the original cost of such partnership's tangible
16 property in this state to the original cost of
17 such partnership's tangible property everywhere,
18 as determined at the time of the sale; if more
19 than fifty percent (50%) of the value of the
20 partnership's assets consists of intangible
21 assets, capital or ordinary gains or losses from
22 the sale of an ownership interest in the
23 partnership shall be allocated to this state in

1 accordance with the sales factor of the
2 partnership for its first full tax period
3 immediately preceding its tax period during which
4 the ownership interest in the partnership was
5 sold; the provisions of this division shall only
6 apply if the capital or ordinary gains or losses
7 from the sale of an ownership interest in a
8 partnership do not constitute qualifying gain
9 receiving capital treatment as defined in
10 subparagraph a of paragraph 2 of subsection F of
11 this section,

12 (3) income from such property which is required to be
13 allocated pursuant to the provisions of paragraph
14 5 of this subsection shall be allocated as herein
15 provided;

16 c. Net income or loss from a business activity which is
17 not a part of business carried on within or without
18 the state of a unitary character shall be separately
19 allocated to the state in which such activity is
20 conducted;

21 d. In the case of a manufacturing or processing
22 enterprise the business of which in Oklahoma consists
23 solely of marketing its products by:

1 (1) sales having a situs without this state, shipped
2 directly to a point from without the state to a
3 purchaser within the state, commonly known as
4 interstate sales,

5 (2) sales of the product stored in public warehouses
6 within the state pursuant to "in transit"
7 tariffs, as prescribed and allowed by the
8 Interstate Commerce Commission, to a purchaser
9 within the state,

10 (3) sales of the product stored in public warehouses
11 within the state where the shipment to such
12 warehouses is not covered by "in transit"
13 tariffs, as prescribed and allowed by the
14 Interstate Commerce Commission, to a purchaser
15 within or without the state,

16 the Oklahoma net income shall, at the option of the
17 taxpayer, be that portion of the total net income of
18 the taxpayer for federal income tax purposes derived
19 from the manufacture and/or processing and sales
20 everywhere as determined by the ratio of the sales
21 defined in this section made to the purchaser within
22 the state to the total sales everywhere. The term
23 "public warehouse" as used in this subparagraph means

1 a licensed public warehouse, the principal business of
2 which is warehousing merchandise for the public;

3 e. In the case of insurance companies, Oklahoma taxable
4 income shall be taxable income of the taxpayer for
5 federal tax purposes, as adjusted for the adjustments
6 provided pursuant to the provisions of paragraphs 1
7 and 2 of this subsection, apportioned as follows:

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

1 Commissioners, or such other form as may be
2 prescribed in lieu thereof,

3 (2) if the principal source of premiums written by an
4 insurance company consists of premiums for
5 reinsurance accepted by it, the taxable income of
6 such company shall be apportioned to this state
7 by multiplying such income by a fraction, the
8 numerator of which is the sum of (a) direct
9 premiums written for insurance on property or
10 risks in this state, plus (b) premiums written
11 for reinsurance accepted in respect of property
12 or risks in this state, and the denominator of
13 which is the sum of (c) direct premiums written
14 for insurance on property or risks everywhere,
15 plus (d) premiums written for reinsurance
16 accepted in respect of property or risks
17 everywhere. For purposes of this paragraph,
18 premiums written for reinsurance accepted in
19 respect of property or risks in this state,
20 whether or not otherwise determinable, may at the
21 election of the company be determined on the
22 basis of the proportion which premiums written
23 for insurance accepted from companies

1 commercially domiciled in Oklahoma bears to
2 premiums written for reinsurance accepted from
3 all sources, or alternatively in the proportion
4 which the sum of the direct premiums written for
5 insurance on property or risks in this state by
6 each ceding company from which reinsurance is
7 accepted bears to the sum of the total direct
8 premiums written by each such ceding company for
9 the taxable year.

10 5. The net income or loss remaining after the separate
11 allocation in paragraph 4 of this subsection, being that which is
12 derived from a unitary business enterprise, shall be apportioned to
13 this state on the basis of the arithmetical average of three factors
14 consisting of property, payroll and sales or gross revenue
15 enumerated as subparagraphs a, b and c of this paragraph. Net
16 income or loss as used in this paragraph includes that derived from
17 patent or copyright royalties, purchase discounts, and interest on
18 accounts receivable relating to or arising from a business activity,
19 the income from which is apportioned pursuant to this subsection,
20 including the sale or other disposition of such property and any
21 other property used in the unitary enterprise. Deductions used in
22 computing such net income or loss shall not include taxes based on
23 or measured by income. Provided, for corporations whose property

1 for purposes of the tax imposed by Section 2355 of this title has an
2 initial investment cost equaling or exceeding Two Hundred Million
3 Dollars (\$200,000,000.00) and such investment is made on or after
4 July 1, 1997, or for corporations which expand their property or
5 facilities in this state and such expansion has an investment cost
6 equaling or exceeding Two Hundred Million Dollars (\$200,000,000.00)
7 over a period not to exceed three (3) years, and such expansion is
8 commenced on or after January 1, 2000, the three factors shall be
9 apportioned with property and payroll, each comprising twenty-five
10 percent (25%) of the apportionment factor and sales comprising fifty
11 percent (50%) of the apportionment factor. The apportionment
12 factors shall be computed as follows:

13 a. The property factor is a fraction, the numerator of
14 which is the average value of the taxpayer's real and
15 tangible personal property owned or rented and used in
16 this state during the tax period and the denominator
17 of which is the average value of all the taxpayer's
18 real and tangible personal property everywhere owned
19 or rented and used during the tax period.

20 (1) Property, the income from which is separately
21 allocated in paragraph 4 of this subsection,
22 shall not be included in determining this
23 fraction. The numerator of the fraction shall

24

1 include a portion of the investment in
2 transportation and other equipment having no
3 fixed situs, such as rolling stock, buses, trucks
4 and trailers, including machinery and equipment
5 carried thereon, airplanes, salespersons'
6 automobiles and other similar equipment, in the
7 proportion that miles traveled in Oklahoma by
8 such equipment bears to total miles traveled,

9 (2) Property owned by the taxpayer is valued at its
10 original cost. Property rented by the taxpayer
11 is valued at eight times the net annual rental
12 rate. Net annual rental rate is the annual
13 rental rate paid by the taxpayer, less any annual
14 rental rate received by the taxpayer from
15 subrentals,

16 (3) The average value of property shall be determined
17 by averaging the values at the beginning and
18 ending of the tax period but the Oklahoma Tax
19 Commission may require the averaging of monthly
20 values during the tax period if reasonably
21 required to reflect properly the average value of
22 the taxpayer's property;

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

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

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

Oklahoma bears to total time spent in furtherance
of the enterprise by such employees;

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

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

(2) In the case of a railroad or interurban railway
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

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

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

19 6. For calendar years 1997 and 1998, the owner of a new or
20 expanded agricultural commodity processing facility in this state
21 may exclude from Oklahoma taxable income, or in the case of an
22 individual, the Oklahoma adjusted gross income, fifteen percent
23 (15%) of the investment by the owner in the new or expanded
24

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

21 For purposes of this paragraph:

- 22 a. "Agricultural commodity processing facility" means
23 building, structures, fixtures and improvements used
24

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

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

- 12 (1) the processing of agricultural commodities,
13 including receiving or storing agricultural
14 commodities, or the production of milk at a dairy
15 operation,
- 16 (2) transporting the agricultural commodities or
17 product before, during or after the processing,
18 or
- 19 (3) packaging or otherwise preparing the product for
20 sale or shipment.

21 7. Despite any provision to the contrary in paragraph 3 of this
22 subsection, for taxable years beginning after December 31, 1999, in
23 the case of a taxpayer which has a farming loss, such farming loss

1 shall be considered a net operating loss carryback in accordance
2 with and to the extent of the Internal Revenue Code, 26 U.S.C.,
3 Section 172(b)(G). However, the amount of the net operating loss
4 carryback shall not exceed the lesser of:

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

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

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

1 10. For taxable years beginning on or after January 1, 2010,
2 there shall be added to Oklahoma taxable income an amount equal to
3 the amount of deferred income not included in such taxable income
4 pursuant to Section 108(i)(1) of the Internal Revenue Code of 1986
5 as amended by Section 1231 of the American Recovery and Reinvestment
6 Act of 2009 (P.L. No. 111-5). There shall be subtracted from
7 Oklahoma taxable income an amount equal to the amount of deferred
8 income included in such taxable income pursuant to Section 108(i)(1)
9 of the Internal Revenue Code of 1986, as amended by Section 1231 of
10 the American Recovery and Reinvestment Act of 2009 (P.L. No. 111-5).

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

1 enactment of the Accelerated Cost Recovery System. The Oklahoma tax
2 basis for all such assets placed into service after December 31,
3 1981, calculated in this section shall be retained and utilized for
4 all Oklahoma income tax purposes through the final disposition of
5 such assets.

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

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

19 2. For tax years beginning on or after January 1, 2009, and
20 ending on or before December 31, 2009, there shall be added to
21 Oklahoma taxable income any amount in excess of One Hundred Seventy-
22 five Thousand Dollars (\$175,000.00) which has been deducted as a
23
24

1 small business expense under Internal Revenue Code, Section 179 as
2 provided in the American Recovery and Reinvestment Act of 2009.

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

17 2. For purposes of this subsection:

18 a. "Qualified small business" means an entity, whether
19 organized as a corporation, partnership, or
20 proprietorship, organized for profit with its
21 principal place of business located within this state
22 and which meets the following criteria:
23
24

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

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

6 (3) Not a subsidiary or affiliate of the transferor
7 corporation;

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

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

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

18 D. 1. For taxable years beginning after December 31, 2005, the
19 taxable income of any corporation, estate or trust, shall be further
20 adjusted for qualifying gains receiving capital treatment. Such
21 corporations, estates or trusts shall be allowed a deduction from
22 Oklahoma taxable income for the amount of qualifying gains receiving
23 capital treatment earned by the corporation, estate or trust during
24

1 the taxable year and included in the federal taxable income of such
2 corporation, estate or trust.

3 2. As used in this subsection:

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

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

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

24

UNDERLINED language denotes Amendments to present Statutes.
BOLD FACE CAPITALIZED language denotes Committee Amendments.
~~Strike thru~~ language denotes deletion from present Statutes.

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

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

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

1 d. "direct" means the taxpayer directly owns the asset,
2 and

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

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

20 (2) With respect to sales of stock or ownership
21 interest in or sales of all or substantially all
22 of the assets of an Oklahoma company, limited
23 liability company, or partnership, the deduction

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

12 E. ~~The~~ For taxable years beginning before January 1, 2013, if
13 otherwise authorized by legislative enactment, Oklahoma adjusted
14 gross income of any individual taxpayer shall be further adjusted as
15 ~~follows~~ provided in this subsection, to arrive at Oklahoma taxable
16 income:

- 17 1. a. ~~In~~ Except as provided in this subparagraph, in the
18 case of individuals, there shall be added or deducted,
19 as the case may be, the difference necessary to allow
20 personal exemptions of One Thousand Dollars
21 (\$1,000.00) in lieu of the personal exemptions allowed
22 by the Internal Revenue Code. For single individuals
23 and married individuals filing separately whose

1 Oklahoma adjusted gross income is greater than Thirty
2 Thousand Dollars (\$30,000.00) and for married
3 individuals filing jointly and surviving spouse, to
4 the extent and in the manner that a surviving spouse
5 is permitted to file a joint return under the
6 provisions of the Internal Revenue Code, and heads of
7 households as defined in the Internal Revenue Code,
8 whose Oklahoma adjusted gross income is greater than
9 Sixty Thousand Dollars (\$60,000.00), personal
10 exemptions of Five Hundred Dollars (\$500.00) shall be
11 allowed for tax year 2013 and no personal exemptions
12 shall be allowed for tax year 2014 and all subsequent
13 tax years.

- 14 b. There shall be allowed an additional exemption of One
15 Thousand Dollars (\$1,000.00) for each taxpayer or
16 spouse who is blind at the close of the tax year. For
17 purposes of this subparagraph, an individual is blind
18 only if the central visual acuity of the individual
19 does not exceed 20/200 in the better eye with
20 correcting lenses, or if the visual acuity of the
21 individual is greater than 20/200, but is accompanied
22 by a limitation in the fields of vision such that the
23 widest diameter of the visual field subtends an angle

1 no greater than twenty (20) degrees. For tax year
2 2013, an additional exemption of Five Hundred Dollars
3 (\$500.00) shall be allowed. For tax year 2014 and all
4 subsequent tax years, no additional exemption pursuant
5 to this subparagraph shall be allowed.

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

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

22 For tax year 2013, an additional exemption of Five
23 Hundred Dollars (\$500.00) shall be allowed. For tax

1 year 2014 and all subsequent tax years, no additional
2 exemption pursuant to this subparagraph shall be
3 allowed. Provided, for taxable years beginning after
4 December 31, 1999, amounts included in the calculation
5 of federal adjusted gross income pursuant to the
6 conversion of a traditional individual retirement
7 account to a Roth individual retirement account shall
8 be excluded from federal adjusted gross income for
9 purposes of the income thresholds provided in this
10 subparagraph.

- 11 2. a. For taxable years beginning on or before December 31,
12 2005, in the case of individuals who use the standard
13 deduction in determining taxable income, there shall
14 be added or deducted, as the case may be, the
15 difference necessary to allow a standard deduction in
16 lieu of the standard deduction allowed by the Internal
17 Revenue Code, in an amount equal to the larger of
18 fifteen percent (15%) of the Oklahoma adjusted gross
19 income or One Thousand Dollars (\$1,000.00), but not to
20 exceed Two Thousand Dollars (\$2,000.00), except that
21 in the case of a married individual filing a separate
22 return such deduction shall be the larger of fifteen
23 percent (15%) of such Oklahoma adjusted gross income

1 or Five Hundred Dollars (\$500.00), but not to exceed
2 the maximum amount of One Thousand Dollars
3 (\$1,000.00),

4 b. For taxable years beginning on or after January 1,
5 2006, and before January 1, 2007, in the case of
6 individuals who use the standard deduction in
7 determining taxable income, there shall be added or
8 deducted, as the case may be, the difference necessary
9 to allow a standard deduction in lieu of the standard
10 deduction allowed by the Internal Revenue Code, in an
11 amount equal to:

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

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

17 c. For the taxable year beginning on January 1, 2007, and
18 ending December 31, 2007, in the case of individuals
19 who use the standard deduction in determining taxable
20 income, there shall be added or deducted, as the case
21 may be, the difference necessary to allow a standard
22 deduction in lieu of the standard deduction allowed by
23 the Internal Revenue Code, in an amount equal to:

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

4 (2) Four Thousand One Hundred Twenty-five Dollars
5 (\$4,125.00) for a head of household; or

6 (3) Two Thousand Seven Hundred Fifty Dollars
7 (\$2,750.00), if the filing status is single or
8 married filing separate.

9 d. For the taxable year beginning on January 1, 2008, and
10 ending December 31, 2008, 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) Six Thousand Five Hundred Dollars (\$6,500.00), if
17 the filing status is married filing joint or
18 qualifying widow, or

19 (2) Four Thousand Eight Hundred Seventy-five Dollars
20 (\$4,875.00) for a head of household, or

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

24

1 e. For the taxable year beginning on January 1, 2009, and
2 ending December 31, 2009, 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) Eight Thousand Five Hundred Dollars (\$8,500.00),
9 if the filing status is married filing joint or
10 qualifying widow, or
11 (2) Six Thousand Three Hundred Seventy-five Dollars
12 (\$6,375.00) for a head of household, or
13 (3) Four Thousand Two Hundred Fifty Dollars
14 (\$4,250.00), if the filing status is single or
15 married filing separate.

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

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

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

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

19 4. A For tax years beginning before January 1, 2013, a resident
20 individual with a physical disability constituting a substantial
21 handicap to employment may deduct from Oklahoma adjusted gross
22 income such expenditures to modify a motor vehicle, home or
23 workplace as are necessary to compensate for his or her handicap.

1 For tax year 2013, fifty percent (50%) of such expenditures may be
2 deducted. For tax year 2014 and all subsequent tax years, no amount
3 may be deducted pursuant to this paragraph. A veteran certified by
4 the Department of Veterans Affairs of the federal government as
5 having a service-connected disability shall be conclusively presumed
6 to be an individual with a physical disability constituting a
7 substantial handicap to employment. The Tax Commission shall
8 promulgate rules containing a list of combinations of common
9 disabilities and modifications which may be presumed to qualify for
10 this deduction. The Tax Commission shall prescribe necessary
11 requirements for verification.

- 12 5. a. Before July 1, 2010, the first One Thousand Five
13 Hundred Dollars (\$1,500.00) received by any person
14 from the United States as salary or compensation in
15 any form, other than retirement benefits, as a member
16 of any component of the Armed Forces of the United
17 States shall be deducted from taxable income.
- 18 b. On or after July 1, 2010, and ending before January 1,
19 2015, one hundred percent (100%) of the income
20 received by any person from the United States as
21 salary or compensation in any form, other than
22 retirement benefits, as a member of any component of
23
24

1 the Armed Forces of the United States shall be
2 deducted from taxable income.

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

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

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

24

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, in the case of resident individuals, amounts received
23 as dividends or distributions of earnings from savings and loan
24

1 associations or credit unions located in Oklahoma, and interest
2 received on savings accounts and time deposits from such sources or
3 from state and national banks or trust companies located in
4 Oklahoma, shall qualify as dividends for the purpose of the dividend
5 exclusion, and taxable income shall be adjusted accordingly to
6 arrive at Oklahoma taxable income; provided, however, that the
7 dividend, distribution of earnings and/or interest exclusion
8 provided for hereinabove shall not be cumulative to the maximum
9 dividend exclusion allowed by the Internal Revenue Code. Any
10 dividend exclusion already allowed by the Internal Revenue Code and
11 reflected in the taxpayer's Oklahoma taxable income together with
12 exclusion allowed herein shall not exceed the total of One Hundred
13 Dollars (\$100.00) per individual or Two Hundred Dollars (\$200.00)
14 per couple filing a joint return for tax years before January 1,
15 2013. For tax year 2013, the amount shall not exceed the total of
16 Fifty Dollars (\$50.00) per individual or One Hundred Dollars
17 (\$100.00) per couple filing a joint return. For tax year 2014 and
18 all subsequent tax years, no amount shall qualify as dividends for
19 the purpose of the dividend exclusion and no adjustment shall be
20 made to taxable income.

21 8. a. An individual taxpayer, whether resident or
22 nonresident, may deduct an amount equal to the federal
23
24

1 income taxes paid by the taxpayer during the taxable
2 year.

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

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

1 16, and the advanced refund of such credit shall not
2 be subject to taxation.

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

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

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

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

20 12. In taxable years beginning after December 31, 1995,
21 contributions made to and interest received from a medical savings
22 account established pursuant to ~~Sections 2621 through 2623 of Title~~
23
24

1 ~~63 of the Oklahoma Statutes~~ the Medical Savings Account Act shall be
2 exempt from taxable income.

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

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

1 b. The deductions for adoptions and proposed adoptions
2 authorized by this paragraph shall not exceed Twenty
3 Thousand Dollars (\$20,000.00) per calendar year for
4 taxable years ending before January 1, 2013. For the
5 taxable year beginning on January 1, 2013, the
6 deduction authorized by this paragraph shall not
7 exceed Ten Thousand Dollars (\$10,000). For the
8 taxable year beginning on January 1, 2014, and all
9 subsequent taxable years, no deduction shall be
10 authorized pursuant to this paragraph.

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

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

1 individual whose Oklahoma adjusted gross income is
2 less than the qualifying amount specified in this
3 paragraph, shall be exempt from taxable income.

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

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

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

21 (3) in the taxable year beginning January 1, 2008,
22 the qualifying amount shall be Sixty-two Thousand
23 Five Hundred Dollars (\$62,500.00) or less if the
24

1 filing status is single, head of household, or
2 married filing separate, or One Hundred Twenty-
3 five Thousand Dollars (\$125,000.00) or less if
4 the filing status is married filing jointly or
5 qualifying widow,

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

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

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

20 (1) an employee pension benefit plan which satisfies
21 the requirements of Section 401 of the Internal
22 Revenue Code, 26 U.S.C., Section 401,
23
24

- 1 (2) an eligible deferred compensation plan that
2 satisfies the requirements of Section 457 of the
3 Internal Revenue Code, 26 U.S.C., Section 457,
4 (3) an individual retirement account, annuity or
5 trust or simplified employee pension that
6 satisfies the requirements of Section 408 of the
7 Internal Revenue Code, 26 U.S.C., Section 408,
8 (4) an employee annuity subject to the provisions of
9 Section 403(a) or (b) of the Internal Revenue
10 Code, 26 U.S.C., Section 403(a) or (b),
11 (5) United States Retirement Bonds which satisfy the
12 requirements of Section 86 of the Internal
13 Revenue Code, 26 U.S.C., Section 86, or
14 (6) lump-sum distributions from a retirement plan
15 which satisfies the requirements of Section
16 402(e) of the Internal Revenue Code, 26 U.S.C.,
17 Section 402(e).

18 d. The amount of the exemption provided by this paragraph
19 shall be limited to Five Thousand Five Hundred Dollars
20 (\$5,500.00) for the 2004 tax year, Seven Thousand Five
21 Hundred Dollars (\$7,500.00) for the 2005 tax year and
22 Ten Thousand Dollars (\$10,000.00) for the tax year
23 2006 and for all subsequent tax years. Any individual
24

1 who claims the exemption provided for in paragraph 9
2 of this subsection shall not be permitted to claim a
3 combined total exemption pursuant to this paragraph
4 and paragraph 9 of this subsection in an amount
5 exceeding Five Thousand Five Hundred Dollars
6 (\$5,500.00) for the 2004 tax year, Seven Thousand Five
7 Hundred Dollars (\$7,500.00) for the 2005 tax year and
8 Ten Thousand Dollars (\$10,000.00) for the 2006 tax
9 year and all subsequent tax years.

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

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

1 18. a. In taxable years beginning after December 31, 2001,
2 and before January 1, 2005, there shall be allowed a
3 deduction in the amount of contributions to accounts
4 established pursuant to the Oklahoma College Savings
5 Plan Act. The deduction shall equal the amount of
6 contributions to accounts, but in no event shall the
7 deduction for each contributor exceed Two Thousand
8 Five Hundred Dollars (\$2,500.00) each taxable year for
9 each account.

10 b. In taxable years beginning after December 31, 2004,
11 subject to the limitations provided in subparagraph g
12 of this paragraph, each taxpayer shall be allowed a
13 deduction for contributions to accounts established
14 pursuant to the Oklahoma College Savings Plan Act.
15 The maximum annual deduction shall equal the amount of
16 contributions to all such accounts plus any
17 contributions to such accounts by the taxpayer for
18 prior taxable years after December 31, 2004, which
19 were not deducted, but in no event shall the deduction
20 for each tax year exceed Ten Thousand Dollars
21 (\$10,000.00) for each individual taxpayer or Twenty
22 Thousand Dollars (\$20,000.00) for taxpayers filing a
23 joint return. Any amount of a contribution that is

1 not deducted by the taxpayer in the year for which the
2 contribution is made may be carried forward as a
3 deduction from income for the succeeding five (5)
4 years. For taxable years beginning after December 31,
5 2005, deductions may be taken for contributions and
6 rollovers made during a taxable year and up to April
7 15 of the succeeding year, or the due date of a
8 taxpayer's state income tax return, excluding
9 extensions, whichever is later. Provided, a deduction
10 for the same contribution may not be taken for two (2)
11 different taxable years.

12 c. In taxable years beginning after December 31, 2006,
13 deductions for contributions made pursuant to
14 subparagraph b of this paragraph shall be limited as
15 follows:

16 (1) for a taxpayer who qualified for the five-year
17 carryforward election and who takes a rollover or
18 nonqualified withdrawal during that period, the
19 tax deduction otherwise available pursuant to
20 subparagraph b of this paragraph shall be reduced
21 by the amount which is equal to the rollover or
22 nonqualified withdrawal, and

1 (2) for a taxpayer who elects to take a rollover or
2 nonqualified withdrawal within the same tax year
3 in which a contribution was made to the
4 taxpayer's account, the tax deduction otherwise
5 available pursuant to subparagraph b of this
6 paragraph shall be reduced by the amount of the
7 contribution which is equal to the rollover or
8 nonqualified withdrawal.

9 d. If a taxpayer elects to take a rollover on a
10 contribution for which a deduction has been taken
11 pursuant to subparagraph b of this paragraph within
12 one year of the date of contribution, the amount of
13 such rollover shall be included in the adjusted gross
14 income of the taxpayer in the taxable year of the
15 rollover.

16 e. If a taxpayer makes a nonqualified withdrawal of
17 contributions for which a deduction was taken pursuant
18 to subparagraph b of this paragraph, such nonqualified
19 withdrawal and any earnings thereon shall be included
20 in the adjusted gross income of the taxpayer in the
21 taxable year of the nonqualified withdrawal.

22 f. As used in this paragraph:
23
24

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

4 (a) a qualified withdrawal,

5 (b) a withdrawal made as a result of the death
6 or disability of the designated beneficiary
7 of an account,

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

16 (d) a rollover or change of designated
17 beneficiary as permitted by subsection F of
18 Section 3970.7 of Title 70 of Oklahoma
19 Statutes, and

20 (2) "rollover" means the transfer of funds from the
21 Oklahoma College Savings Plan to any other plan
22 under Section 529 of the Internal Revenue Code.
23
24

1 g. Notwithstanding the provisions of this paragraph,
2 any deductions which would have been allowed for
3 contributions made pursuant to this paragraph for
4 tax year 2013 shall be limited to Five Thousand
5 Dollars (\$5,000.00) for each individual taxpayer
6 or Ten Thousand Dollars (\$10,000.00) for
7 taxpayers filing a joint return. For tax year
8 2014 and all subsequent tax years, no deduction
9 shall be allowed pursuant to this paragraph.

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:

- 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

1 purposes of this paragraph, the payment shall be treated as a
2 scholarship amount paid by the entity sponsoring the event and the
3 sponsoring entity shall cause the payment to be categorized as a
4 scholarship in its books and records.

5 25. For the taxable year beginning after December 31, 2012,
6 taxable income shall be increased by fifty percent (50%) of any
7 amount of state and local taxes deducted under Section 164 of the
8 Internal Revenue Code, 26 U.S.C., Section 164. For all taxable
9 years beginning after December 31, 2013, taxable income shall be
10 increased by any amount of state and local taxes deducted under
11 Section 164 of the Internal Revenue Code, 26 U.S.C., Section 164.

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

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 an
21 individual taxpayer's federal income tax return that
22 result from:
23
24

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

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

16 (3) the sale of real property, tangible personal
17 property or intangible personal property located
18 within Oklahoma as part of the sale of all or
19 substantially all of the assets of an Oklahoma
20 company, limited liability company, or
21 partnership or an Oklahoma proprietorship
22 business enterprise where such property has been
23 directly or indirectly owned by such entity or
24

1 business enterprise or owned by the owners of
2 such entity or business enterprise for a period
3 of at least two (2) years prior to the date of
4 the transaction from which the net capital gains
5 arise,

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

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

18 d. "direct" means the individual taxpayer directly owns
19 the asset,

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

24

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

14 (2) With respect to sales of stock or ownership
15 interest in or sales of all or substantially all
16 of the assets of an Oklahoma company, limited
17 liability company, partnership or Oklahoma
18 proprietorship business enterprise, the deduction
19 described in this subsection shall not apply
20 unless the pass-through entity that makes the
21 sale has held the stock or ownership interest for
22 not less than two (2) uninterrupted years prior
23 to the date of the transaction that created the
24

1 capital gain, and each pass-through entity
2 included in the chain of ownership has been a
3 member, partner or shareholder of the pass-
4 through entity in the tier immediately below it
5 for an uninterrupted period of not less than two
6 (2) years. For purposes of this division,
7 uninterrupted ownership prior to the effective
8 date of this act shall be included in the
9 determination of the required holding period
10 prescribed by this division, and

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

20 G. 1. For purposes of computing its Oklahoma taxable income
21 under this section, the dividends-paid deduction otherwise allowed
22 by federal law in computing net income of a real estate investment
23 trust that is subject to federal income tax shall be added back in

1 computing the tax imposed by this state under this title if the real
2 estate investment trust is a captive real estate investment trust.

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

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

11 b. the term "captive real estate investment trust" means
12 a real estate investment trust, the shares or
13 beneficial interests of which are not regularly traded
14 on an established securities market and more than
15 fifty percent (50%) of the voting power or value of
16 the beneficial interests or shares of which are owned
17 or controlled, directly or indirectly, or
18 constructively, by a single entity that is:

19 (1) treated as an association taxable as a
20 corporation under the Internal Revenue Code of
21 1986, as amended, and

22
23
24

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

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

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

12 (1) any real estate investment trust as defined in
13 paragraph a of this subsection other than a
14 "captive real estate investment trust", or

15 (2) any qualified real estate investment trust
16 subsidiary under Section 856(i) of the Internal
17 Revenue Code of 1986, as amended, other than a
18 qualified REIT subsidiary of a "captive real
19 estate investment trust", or

20 (3) any Listed Australian Property Trust (meaning an
21 Australian unit trust registered as a "Managed
22 Investment Scheme" under the Australian
23 Corporations Act in which the principal class of
24

1 units is listed on a recognized stock exchange in
2 Australia and is regularly traded on an
3 established securities market), or an entity
4 organized as a trust, provided that a Listed
5 Australian Property Trust owns or controls,
6 directly or indirectly, seventy-five percent
7 (75%) or more of the voting power or value of the
8 beneficial interests or shares of such trust, or
9 (4) any Qualified Foreign Entity, meaning a
10 corporation, trust, association or partnership
11 organized outside the laws of the United States
12 and which satisfies the following criteria:
13 (a) at least seventy-five percent (75%) of the
14 entity's total asset value at the close of
15 its taxable year is represented by real
16 estate assets, as defined in Section
17 856(c) (5) (B) of the Internal Revenue Code of
18 1986, as amended, thereby including shares
19 or certificates of beneficial interest in
20 any real estate investment trust, cash and
21 cash equivalents, and U.S. Government
22 securities,

- 1 (b) the entity receives a dividend-paid
2 deduction comparable to Section 561 of the
3 Internal Revenue Code of 1986, as amended,
4 or is exempt from entity level tax,
- 5 (c) the entity is required to distribute at
6 least eighty-five percent (85%) of its
7 taxable income, as computed in the
8 jurisdiction in which it is organized, to
9 the holders of its shares or certificates of
10 beneficial interest on an annual basis,
- 11 (d) not more than ten percent (10%) of the
12 voting power or value in such entity is held
13 directly or indirectly or constructively by
14 a single entity or individual, or the shares
15 or beneficial interests of such entity are
16 regularly traded on an established
17 securities market, and
- 18 (e) the entity is organized in a country which
19 has a tax treaty with the United States.

20 3. For purposes of this subsection, the constructive ownership
21 rules of Section 318(a) of the Internal Revenue Code of 1986, as
22 amended, as modified by Section 856(d) (5) of the Internal Revenue
23
24

1 Code of 1986, as amended, shall apply in determining the ownership
2 of stock, assets, or net profits of any person.

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

17 SECTION 26. AMENDATORY 68 O.S. 2011, Section 2358.3, is
18 amended to read as follows:

19 Section 2358.3 A person who contributes money to a political
20 party or to a candidate or candidate committee shall be entitled to
21 deduct the amount contributed, not to exceed One Hundred Dollars
22 (\$100.00) in any one tax year for tax years beginning before January
23 1, 2013, from the person's adjusted gross income in the computation

1 of Oklahoma income tax. For tax year 2013, the deduction shall be
2 limited to Fifty Dollars (\$50.00). For tax year 2014 and all
3 subsequent tax years, no deduction shall be allowed pursuant to this
4 section.

5 SECTION 27. AMENDATORY 68 O.S. 2011, Section 2370, is
6 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 1218 of this
17 title and the franchise tax levied in Article 12 of this title and
18 in lieu of the tax levied by Section 2355 of this title and in lieu
19 of all taxes levied by the State of Oklahoma, or any subdivision
20 thereof, upon the shares of stock or personal property of any
21 banking association or credit union subject to taxation under this
22 section.

23
24

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

7 3. Personal property which is subject to a lease agreement
8 between a bank or credit union, as lessor, and a nonbanking business
9 entity or individual, as lessee, is not exempt from personal
10 property ad valorem taxation. Provided further, that it shall be
11 the duty of the lessee of such personal property to return sworn
12 lists or schedules of their taxable property within each county to
13 the county assessor of such county as provided in Sections 2433 and
14 2434 of this title.

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

1 D. The basis of the tax shall be United States taxable income
2 as defined in paragraph 10 of Section 2353 of this title and any
3 adjustments thereto under the provisions of Section 2358 of this
4 title with the following adjustments:

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

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

17 E. 1. Except as otherwise provided in paragraph 2 of this
18 subsection, there shall be allowed a credit against the tax levied
19 in subsection A of this section in an amount equal to the amount of
20 taxable income received by a participating financial institution as
21 defined in Section 90.2 of Title 62 of the Oklahoma Statutes
22 pursuant to a loan made under the Rural Economic Development Loan
23 Act. Such credit shall be limited each year to five percent (5%) of
24

1 the amount of annual payroll certified by the Oklahoma Rural
2 Economic Development Loan Program Review Board pursuant to the
3 provisions of paragraph 3 of subsection B of Section 90.4 of Title
4 62 of the Oklahoma Statutes with respect to the loan made by the
5 participating financial institution and may be claimed for any
6 number of years necessary until the amount of total credits claimed
7 is equal to the total amount of taxable income received by the
8 participating financial institution pursuant to the loan. Any
9 credit allowed but not used in a taxable year may be carried forward
10 for a period not to exceed five (5) taxable years. In no event
11 shall a credit allowed pursuant to the provisions of this subsection
12 be transferable or refundable.

13 2. No credit otherwise authorized by the provisions of this
14 subsection may be claimed for any event, transaction, investment,
15 expenditure or other act occurring on or after July 1, 2010 ~~for~~
16 ~~which the credit would otherwise be allowable. The provisions of~~
17 ~~this paragraph shall cease to be operative on July 1, 2012.~~
18 ~~Beginning July 1, 2012, the credit authorized by this subsection may~~
19 ~~be claimed for any event, transaction, investment, expenditure or~~
20 ~~other act occurring on or after July 1, 2012, according to the~~
21 ~~provisions of this subsection, through June 30, 2012. Total credits~~
22 ~~allowed for any event, transaction, investment, expenditure or other~~
23 ~~act pursuant to this section for the time period beginning on July~~

1 1, 2012, through December 31, 2013, shall be limited to fifty
2 percent (50%) of the total amount of accrued credit. For tax year
3 2014 and all subsequent tax years, no credit shall be allowed for
4 any event, transaction, investment, expenditure or other act
5 pursuant to this section.

6 SECTION 28. AMENDATORY 68 O.S. 2011, Section 2370.3, is
7 amended to read as follows:

8 Section 2370.3. A. There shall be allowed a credit against the
9 tax imposed by Section 2370 of ~~Title 68 of the Oklahoma Statutes~~
10 this title for any state banking association, national banking
11 association, or credit union domiciled in this state for the amount
12 of the origination fee paid by the banking association or credit
13 union to the United States Department of Education pursuant to the
14 "Stafford" loan guaranty program for an Oklahoma resident.

15 B. Except as provided in subsection F of this section, the
16 credit authorized by this section may be claimed for origination
17 fees paid on or after July 1, 2007.

18 C. No credit may be claimed pursuant to this section if,
19 pursuant to the agreement between the banking association or credit
20 union and the student to which proceeds are made available, the
21 banking association or credit union adds the amount of the U.S.
22 Department of Education origination fee to the amount financed by
23
24

1 the borrower or in any other way recovers the origination fee amount
2 from the borrower.

3 D. The credit authorized by this section may be claimed, and if
4 not fully used in the initial year for which the credit is claimed,
5 may be carried over, in order, to each of the five (5) succeeding
6 taxable years. The credit authorized by this section may not be
7 used to reduce the tax liability of the credit claimant below zero
8 (0).

9 E. The Oklahoma Tax Commission shall prepare a report regarding
10 the amount of tax credits claimed as authorized by this section.
11 The report shall be submitted to the Speaker of the House of
12 Representatives and to the President Pro Tempore of the Senate not
13 later than March 31 of each year.

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~~ through June 30, 2012. Total credits allowed for
23 any event, transaction, investment, expenditure or other act

1 pursuant to this section for the time period beginning on July 1,
2 2012, through December 31, 2013, shall be limited to fifty percent
3 (50%) of the total amount of accrued credit. For tax year 2014 and
4 all subsequent tax years, no credit shall be allowed for any event,
5 transaction, investment, expenditure or other act pursuant to this
6 section.

7 SECTION 29. AMENDATORY 68 O.S. 2011, Section 2906, is
8 amended to read as follows:

9 Section 2906. ~~Any~~ Before January 1, 2014, any person sixty-five
10 (65) years of age or older or any totally disabled person, who is
11 the head of a household, a resident of and domiciled in this state
12 during the entire preceding calendar year, and whose gross household
13 income for such year does not exceed Twelve Thousand Dollars
14 (\$12,000.00) may file a claim for property tax relief on the amount
15 of property taxes paid on the household occupied by such person
16 during the preceding calendar year. Each head of household shall be
17 allowed to file only one claim per year.

18 SECTION 30. AMENDATORY 68 O.S. 2011, Section 2907, is
19 amended to read as follows:

20 Section 2907. A. The amount of any claim filed pursuant to
21 ~~Section 108 of this act~~ 2908 of this title for tax years ending
22 before January 1, 2013, shall be for the amount of the property
23 taxes paid by the claimant for the preceding calendar year which
24

1 exceeds one percent (1%) of the household income, but no claim for
2 property tax relief shall exceed Two Hundred Dollars (\$200.00). For
3 any claim filed for tax year 2013, no claim shall exceed One Hundred
4 Dollars (\$100.00).

5 B. The right to file a claim and to receive property tax relief
6 under the provisions of this act shall be personal to the claimant
7 and shall not survive his or her death, except that a surviving
8 spouse of the claimant may receive benefits hereunder upon the
9 timely filing of a claim.

10 SECTION 31. AMENDATORY 68 O.S. 2011, Section 3624, is
11 amended to read as follows:

12 Section 3624. A. There is hereby created the Oklahoma Film
13 Enhancement Rebate Program. A rebate in the amount of up to
14 seventeen percent (17%) of documented expenditures made in Oklahoma
15 directly attributable to the production of a film, television
16 production, or television commercial, as defined in Section 3623 of
17 this title, in this state, may be paid to the production company
18 responsible for the production. Provided, for documented
19 expenditures made after:

20 1. On or after July 1, 2009, and before January 1, 2013, the
21 rebate amount shall be thirty-five percent (35%), except as provided
22 in subsection B of this section;
23
24

1 2. From January 1, 2013, through December 31, 2013, the rebate
2 amount shall be seventeen and one-half percent (17.5%), except as
3 provided in subsection B of this section; and

4 3. On and after January 1, 2014, no rebate may be paid pursuant
5 to this section.

6 B. The amount of rebate paid to the production company as
7 provided for in subsection A of this section shall be increased by
8 an additional two percent (2%) of documented expenditures if a
9 production company spends at least Twenty Thousand Dollars
10 (\$20,000.00) for the use of music created by an Oklahoma resident
11 that is recorded in Oklahoma or for the cost of recording songs or
12 music in Oklahoma for use in the production.

13 C. The rebate program shall be administered by the Office of
14 the Oklahoma Film and Music Commission and the Oklahoma Tax
15 Commission, as provided in the Compete with Canada Film Act.

16 D. To be eligible for a rebate payment:

17 1. The production company responsible for a film, television
18 production, or television commercial, as defined in Section 3623 of
19 this title, made in this state shall submit documentation to the
20 Office of the Oklahoma Film and Music Commission of the amount of
21 wages paid for employment in this state to residents of this state
22 directly relating to the production and the amount of other
23
24

1 production costs incurred in this state directly relating to the
2 production;

3 2. The production company has filed or will file any Oklahoma
4 tax return or tax document which may be required by law;

5 3. Except major studio productions, the production company
6 shall provide the name of the completion guarantor and a copy of the
7 bond guaranteeing the completion of the project or if a film has not
8 secured a completion bond, the production company shall provide
9 evidence that all Oklahoma crew and local vendors have been paid and
10 there are no liens against the production company pending in the
11 state;

12 4. The minimum budget for the film shall be Fifty Thousand
13 Dollars (\$50,000.00) of which not less than Twenty-five Thousand
14 Dollars (\$25,000.00) shall be expended in this state;

15 5. The production company shall provide evidence of financing
16 for production prior to the commencement of principal photography;
17 and

18 6. The production company shall provide evidence of a
19 certificate of general liability insurance with a minimum coverage
20 of One Million Dollars (\$1,000,000.00) and a workers' compensation
21 policy pursuant to state law, which shall include coverage of
22 employer's liability.

23
24

1 E. A production company shall not be eligible to receive both a
2 rebate payment pursuant to the provisions of ~~this act~~ the Compete
3 with Canada Film Act and an exemption from sales taxes pursuant to
4 the provisions of paragraph 21 of Section 1357 of this title. If a
5 production company has received such an exemption from sales taxes
6 and submits a claim for rebate pursuant to the provisions of the
7 Compete with Canada Film Act, the company shall be required to fully
8 repay the amount of the exemption to the Tax Commission. A claim
9 for a rebate shall include documentation from the Tax Commission
10 that repayment has been made as required herein or shall include an
11 affidavit from the production company that the company has not
12 received an exemption from sales taxes pursuant to the provisions of
13 paragraph 21 of Section 1357 of this title.

14 F. The Office shall approve or disapprove all claims for rebate
15 and shall notify the Tax Commission. The Tax Commission shall, upon
16 notification of approval from the Office of the Film and Music
17 Commission, issue payment for all approved claims from funds in the
18 Oklahoma Film Enhancement Rebate Program Revolving Fund created in
19 Section 3625 of this title. Provided, no claims for rebate for
20 expenditures made on or after July 1, 2009, shall be paid prior to
21 July 1, 2010. The amount of payments in any single fiscal year
22 shall not exceed Five Million Dollars (\$5,000,000.00). If the
23 amount of approved claims exceeds the amount specified in this

24

1 subsection in a fiscal year, payments shall be made in the order in
2 which the claims are approved by the Office. If an approved claim
3 is not paid in whole or in part, the unpaid claim or unpaid portion
4 may be paid in the following fiscal year subject to the limitations
5 specified in this subsection.

6 SECTION 32. AMENDATORY 68 O.S. 2011, Section 5011, is
7 amended to read as follows:

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

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

20 1. For an individual not subject to the provisions of paragraph
21 2 of this subsection and claiming no allowable personal exemption
22 other than the allowable personal exemption for that individual or
23
24

UNDERLINED language denotes Amendments to present Statutes.
BOLD FACE CAPITALIZED language denotes Committee Amendments.
~~Strike thru~~ language denotes deletion from present Statutes.

1 the spouse of that individual, Fifteen Thousand Dollars
2 (\$15,000.00); or

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

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

15 1. For an individual not subject to the provisions of paragraph
16 2 of this subsection and claiming no allowable personal exemption
17 other than the allowable personal exemption for that individual or
18 the spouse of that individual, Twenty Thousand Dollars (\$20,000.00);
19 or

20 2. For an individual claiming one or more allowable personal
21 exemptions other than the allowable personal exemption for that
22 individual or the spouse of that individual, an individual with a
23 physical disability constituting a substantial handicap to
24

1 employment, or an individual who is sixty-five (65) years of age or
2 older at the close of the tax year, Fifty Thousand Dollars
3 (\$50,000.00).

4 D. The amount of the claim filed pursuant to the Sales Tax
5 Relief Act for tax years through 2012 shall be Forty Dollars
6 (\$40.00) multiplied by the number of allowable personal exemptions.
7 For claims filed for tax year 2013, the amount shall be Twenty
8 Dollars (\$20.00) multiplied by the number of allowable personal
9 exemptions. As used in the Sales Tax Relief Act, "allowable
10 personal exemption" means a personal exemption to which the taxpayer
11 would be entitled pursuant to the provisions of the Oklahoma Income
12 Tax Act, except for:

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

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

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

23
24

1 E. A person convicted of a felony shall not be permitted to
2 file a claim for sales tax relief pursuant to the provisions of
3 ~~Sections 5010 through 5016 of this title~~ the Sales Tax Relief Act
4 for the period of time during which the person is an inmate in the
5 custody of the Department of Corrections. Such period of time shall
6 include the entire calendar year if the person is in the custody of
7 the Department of Corrections during any part of the calendar year.
8 The provisions of this subsection shall not prohibit all other
9 members of the household of an inmate from filing a claim based upon
10 the personal exemptions to which the household members would be
11 entitled pursuant to the provisions of the Oklahoma Income Tax Act.

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

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

20 SECTION 33. AMENDATORY 68 O.S. 2011, Section 54006, is
21 amended to read as follows:

22 Section 54006. A. Except as provided in subsection F of this
23 section, for taxable years beginning after December 31, 1992, and
24

1 before January 1, 2003, and for taxable years beginning after
2 December 31, 2005, there shall be allowed a credit against the tax
3 imposed by Section 2355 of this title for a net increase in the
4 number of full-time-equivalent employees engaged in computer
5 services, data processing or research and development as defined in
6 Section 54003 of this title, in this state including employees
7 engaged in support services.

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

24

1 C. For credits taken for taxable years beginning after December
2 31, 1992, and before January 1, 2003, in order to be eligible to
3 receive the credit provided for in subsection A of this section, a
4 new or expanding business shall not include the existing employee
5 positions of any business enterprise that is directly or
6 beneficially owned by a corporation, trust, joint venture,
7 proprietorship, or partnership doing business in this state as of
8 January 1, 1992. For credits taken for taxable years beginning
9 after December 31, 2005, in order to be eligible to receive the
10 credit provided for in subsection A of this section, a new or
11 expanding business shall not include the existing employee positions
12 of any business enterprise that is directly or beneficially owned by
13 a corporation, trust, joint venture, proprietorship, or partnership
14 doing business in this state as of January 1, 2005.

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

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

23
24

1 F. 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~~ through June 30, 2012. Total credits allowed for
10 any event, transaction, investment, expenditure or other act
11 pursuant to this section for the time period beginning on July 1,
12 2012, through December 31, 2013, shall be limited to fifty percent
13 (50%) of the total amount of accrued credit. For tax year 2014 and
14 all subsequent tax years, no credit shall be allowed for any event,
15 transaction, investment, expenditure or other act pursuant to this
16 section.

17
18 COMMITTEE REPORT BY: COMMITTEE ON APPROPRIATIONS AND BUDGET, dated
19 04/02/2012 - DO PASS, As Amended.
20
21
22
23
24