

1 STATE OF OKLAHOMA

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

3 SENATE BILL 1435

By: Mazzei

4
5
6 AS INTRODUCED

7 An Act relating to income tax, sales tax and credits;
8 amending 68 O.S. 2011, Section 1353, which relates to
9 sales tax revenue; modifying apportionment; amending
10 68 O.S. 2011, Section 2353, which relates to income
11 tax credit for certain income related to production
12 of oil and gas; limiting time period during which
13 credit may be claimed; amending 68 O.S. 2011, Section
14 2355, which relates to income tax rates; modifying
15 rates and brackets for specified time period;
16 amending 68 O.S. 2011, Section 2357, which relates to
17 tax credits; limiting time period during which
18 certain credits may be claimed for child care
19 expenses, child tax credit and gas used in
20 manufacturing; amending 68 O.S. 2011, Section 2358,
21 which relates to adjustments to income; limiting time
22 period during which certain credits, exemptions and
23 deductions may be claimed for qualifying gains
24 receiving capital treatment, personal exemption,
additional exemptions, standard deduction, itemized
deduction, compensation from Armed Forces, certain
dividends or distributions, specified retirement
benefits, specified deferred compensation
distributions, nonrecurring adoption expenses,
contributions to certain college savings plan;
deleting requirement to make certain determination
regarding revenue and modification of deduction
relating to compensation from Armed Forces; repealing
27A O.S. 2011, Section 2-11-303, which relates to tax
credits; repealing 68 O.S. 2011, Sections 2357.4,
2357.6, 2357.7, 2357.11, 2357.22, 2357.25, 2357.26,
2357.27, 2357.28, 2357.29, 2357.30, 2357.32A,
2357.32B, 2357.33, 2357.41, 2357.43, 2357.45,
2357.46, 2357.47, 2357.59, 2357.62, 2357.63, 2357.73,
2357.74, 2357.81, 2357.100, 2357.101, 2357.102,
2357.104, 2357.203, 2357.206, 2357.302, 2357.303,

1 2357.304, 2358.3, 2358.7, 2370.1, 2370.3, 2908, 3624,
2 5011 and 54006.1, which relate to tax credits;
3 providing effective dates; and declaring an
4 emergency.

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

6 SECTION 1. AMENDATORY 68 O.S. 2011, Section 1353, is
7 amended to read as follows:

8 Section 1353. A. It is hereby declared to be the purpose of
9 the Oklahoma Sales Tax Code to provide funds for the financing of
10 the program provided for by the Oklahoma Social Security Act and to
11 provide revenues for the support of the functions of the state
12 government of Oklahoma, and for this purpose it is hereby expressly
13 provided that, revenues derived pursuant to the provisions of the
14 Oklahoma Sales Tax Code, subject to the apportionment requirements
15 for the Oklahoma Tax Commission and Office of State Finance Joint
16 Computer Enhancement Fund provided by Section 265 of this title and
17 beginning July 1, 2013, if applicable, subject to the apportionment
18 requirements for the Rebuilding Oklahoma Access and Driver Safety
19 Fund, the Oklahoma Tourism and Passenger Rail Revolving Fund and the
20 Public Transit Revolving Fund to be derived from sales tax revenue
21 that would otherwise be apportioned to the General Revenue Fund as
22 provided by Section 1521 of Title 69 of the Oklahoma Statutes, shall
23 be apportioned as follows:
24

1 1. a. the following amounts shall be paid to the State
2 Treasurer to be placed to the credit of the General
3 Revenue Fund to be paid out pursuant to direct
4 appropriation by the Legislature:

Fiscal Year	Amount
FY 2003 and FY 2004	86.04%
FY 2005	85.83%
FY 2006	85.54%
FY 2007	85.04%
FY 2008 and each fiscal	
year thereafter	83.61%
<u>FY 2008 through FY 2013</u>	<u>83.61%</u>
<u>FY 2014 and each fiscal</u>	
<u>year thereafter</u>	<u>82.61%</u>

15 b. in the event that additional monies are necessary
16 pursuant to paragraph 6 of this section, such
17 additional monies shall be deducted in the proportion
18 determined by the State Board of Equalization pursuant
19 to paragraph 3 of Section 2355.1B of this title from
20 the monies apportioned to the General Revenue Fund;

21 2. For FY 2003, FY 2004 and FY 2005, ten and forty-two one-
22 hundredths percent (10.42%), shall be paid to the State Treasurer to
23 be placed to the credit of the Education Reform Revolving Fund of
24 the State Department of Education and for FY 2006 and each fiscal

1 year thereafter, ten and forty-six one-hundredths percent (10.46%)
2 shall be paid to the State Treasurer to be placed to the credit of
3 the Education Reform Revolving Fund of the State Department of
4 Education;

5 3. The following amounts shall be paid to the State Treasurer
6 to be placed to the credit of the Teachers' Retirement System
7 Dedicated Revenue Revolving Fund:

8 Fiscal Year	Amount
9 FY 2003 and FY 2004	3.54%
10 FY 2005	3.75%
11 FY 2006	4.0%
12 FY 2007	4.5%
13 FY 2008 and each fiscal	
14 year thereafter	5.0%

15 4. For the fiscal year beginning July 1, 2010, and for each
16 fiscal year thereafter, eighty-seven one-hundredths percent (0.87%)
17 shall be paid to the State Treasurer to be further apportioned as
18 follows:

- 19 a. thirty-six percent (36%) shall be placed to the credit
20 of the Oklahoma Tourism Promotion Revolving Fund, and
- 21 b. sixty-four percent (64%) shall be placed to the credit
22 of the Oklahoma Tourism Capital Improvement Revolving
23 Fund; and

24

1 5. For the fiscal year beginning July 1, 2010, and for each
2 fiscal year thereafter, six one-hundredths percent (0.06%) shall be
3 placed to the credit of the Oklahoma Historical Society Capital
4 Improvement and Operations Revolving Fund.

5 ~~6. During the first fiscal year after the State Board of~~
6 ~~Equalization has made a determination as provided in Section 2355.1B~~
7 ~~of this title, regarding a baseline amount of revenue apportioned~~
8 ~~pursuant to paragraph 3 of this section, and for each fiscal year~~
9 ~~thereafter, in~~ For the fiscal year beginning July 1, 2013, and for
10 each fiscal year thereafter, one percent (1%) shall be placed to the
11 credit of the Ad Valorem Reimbursement Fund.

12 7. In no event shall monies apportioned pursuant to paragraph 3
13 of this section, and paragraph 3 of Section 1403 of this title and
14 subparagraph c of paragraph 1 of Section 2352 of this title be less
15 than such baseline amount the amount apportioned in the fiscal year
16 beginning on July 1, 2012. If such amounts are reduced, the amount
17 apportioned pursuant to paragraph 1 of this section and paragraph 1
18 of Section 1403 of this title shall be reduced accordingly.

19 B. Provided, for the fiscal year beginning July 1, 2007, and
20 every fiscal year thereafter, an amount of revenue shall be
21 apportioned to each municipality or county which levies a sales tax
22 subject to the provisions of Section 1357.10 of this title and
23 subsection F of Section 2701 of this title equal to the amount of
24 sales tax revenue of such municipality or county exempted by the

1 provisions of Section 1357.10 of this title and subsection F of
2 Section 2701 of this title. The Oklahoma Tax Commission shall
3 promulgate and adopt rules necessary to implement the provisions of
4 this subsection.

5 SECTION 2. AMENDATORY 68 O.S. 2011, Section 2353, is
6 amended to read as follows:

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

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

10 2. "Internal Revenue Code" means the United States Internal
11 Revenue Code, as the same may be amended or adopted from time to
12 time applicable to the taxable year; and other provisions of the
13 laws of the United States relating to federal income taxes, as the
14 same may be or become effective at any time or from time to time
15 applicable to the taxable year;

16 3. Any term used in Section 2351 et seq. of this title shall
17 have the same meaning as when used in a comparable context in the
18 Internal Revenue Code, unless a different meaning is clearly
19 required. For all taxable periods covered by Section 2351 et seq.
20 of this title, the tax status and all elections of all taxpayers
21 covered by Section 2351 et seq. of this title shall be the same for
22 all purposes material hereto as they are for federal income tax
23 purposes except when Section 2351 et seq. of this title specifically
24 provides otherwise;

1 4. "Resident individual" means a natural person who is
2 domiciled in this state, and any other natural person who spends in
3 the aggregate more than seven (7) months of the taxable year within
4 this state shall be presumed to be a resident for purposes of
5 Section 2351 et seq. of this title in absence of proof to the
6 contrary. A natural person who resides less than seven (7) months
7 of the taxable year within this state is presumed to be a "part-year
8 resident individual" for purposes of the Oklahoma Income Tax Code,
9 Section 2351 et seq. of this title, in absence of proof to the
10 contrary. A "nonresident individual" means an individual other than
11 a resident individual or a part-year resident individual.

12 For all tax years beginning after December 31, 1981, a
13 nonresident individual, with respect to foreign earned income and
14 deductions, shall include an individual who:

- 15 a. during any period of twenty-four (24) consecutive
16 months is out of the United States at least five
17 hundred fifty (550) days,
- 18 b. during such period referred to in subparagraph a of
19 this paragraph is not present in this state for more
20 than ninety (90) days during any taxable year,
- 21 c. during any period of less than an entire taxable year,
22 which period is contained within the period referred
23 to in subparagraph a of this paragraph, is not present
24 in this state for a number of days in excess of an

1 amount which bears the same ratio to ninety (90) days
2 as the number of days contained in the period of less
3 than an entire taxable year bears to three hundred
4 sixty-five (365), and

- 5 d. during such period referred to in subparagraph a of
6 this paragraph does not maintain a permanent place of
7 abode in this state at which the spouse of the
8 individual, unless such spouse is legally separated,
9 or minor children of the individual are present for
10 more than one hundred eighty (180) days;

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

14 6. "Resident trust" means:

- 15 a. a trust, or a portion of a trust, consisting of
16 property transferred by will of a decedent domiciled
17 in this state at death, or a trust, or a portion of a
18 trust, consisting of the property of a person
19 domiciled in this state if such trust is not
20 irrevocable, and
- 21 b. a trust, or portion of a trust, consisting of property
22 of a person domiciled in this state at the time such
23 property was transferred to the trust if such trust or
24 portion was then irrevocable or a person domiciled in

1 this state at the time such trust or portion became
2 irrevocable. A trust, or portion of a trust, is
3 irrevocable if it is not subject to a power
4 exercisable solely by the transferor of such property,
5 at any time, to revest title in the transferor.

6 "Nonresident trust" means a trust other than a
7 resident trust;

8 7. "Resident partner" means a partner who is a resident
9 individual, a resident estate, a resident trust or a resident
10 corporation. "Nonresident partner" means a partner other than a
11 resident partner;

12 8. "Resident beneficiary" means a beneficiary of an estate or
13 trust which beneficiary is a resident individual, a resident estate,
14 a resident trust or a resident corporation. "Nonresident
15 beneficiary" means a beneficiary other than a resident beneficiary;

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

18 "Nonresident corporation" means any corporation other than a
19 resident corporation;

20 10. "Taxable income" with respect to any taxpayer means the
21 "taxable income", "life insurance company taxable income", "mutual
22 insurance company taxable income", "(regulated) investment company
23 taxable income", "real estate investment trust taxable income", and
24 "cooperatives' taxable income" and any other "taxable income" as

1 defined in the Internal Revenue Code as applies to such taxpayer or
2 any other income of such taxpayer including, but not limited to,
3 lump sum distributions as defined by the Internal Revenue Code of
4 1986, as amended; provided, in the case of income derived from oil
5 and gas well production before January 1, 2013, any taxpayer, at his
6 or her option, may deduct as an allowance for depletion, in lieu of
7 other calculation of depletion based on the cost of the oil and gas
8 deposit, twenty-two percent (22%) of the gross income derived from
9 the properties during the taxable year. Provided further, for tax
10 years beginning on or after January 1, 1997, and ending on or before
11 December 31, 1999, and for tax years beginning on or after January
12 1, 2001, and ending on or before December 31, 2011, for major oil
13 companies as defined in Section 288.2 of Title 52 of the Oklahoma
14 Statutes, such allowance shall not exceed fifty percent (50%) of the
15 net income of the taxpayer (computed without allowance for
16 depletion) from the property. During taxable years other than those
17 specified herein which occur before January 1, 2013, for all
18 taxpayers, such allowance shall not exceed fifty percent (50%) of
19 the net income of the taxpayer (computed without allowance for
20 depletion) from the property. If a depletion allowance is allowed
21 as a deduction in arriving at the adjusted gross income in the case
22 of an individual, or taxable income for corporations and trusts, or
23 distributable income of partnerships by the Internal Revenue

24

1 Service, the percentage depletion so calculated shall in no event be
2 a duplication of depletion allowed on the Federal Income Tax Return;

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

5 12. "Oklahoma taxable income" means "taxable income" as
6 reported (or as would have been reported by the taxpayer had a
7 return been filed) to the federal government, and in the event of
8 adjustments thereto by the federal government as finally ascertained
9 under the Internal Revenue Code, adjusted further as hereinafter
10 provided;

11 13. "Oklahoma adjusted gross income" means "adjusted gross
12 income" as reported to the federal government (or as would have been
13 reported by the taxpayer had a return been filed), or in the event
14 of adjustments thereby by the federal government as finally
15 ascertained under the Internal Revenue Code, adjusted further as
16 hereinafter provided;

17 14. "State" means any state of the United States, the District
18 of Columbia, the Commonwealth of Puerto Rico, any territory or
19 possession of the United States or any political subdivision
20 thereof; and

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

24

1 SECTION 3. AMENDATORY 68 O.S. 2011, Section 2355, is
2 amended to read as follows:

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

8 1. METHOD 1.

9 a. Single individuals and married individuals filing
10 separately not deducting federal income tax:

11 (1) 1/2% tax on first \$1,000.00 or part thereof,

12 (2) 1% tax on next \$1,500.00 or part thereof,

13 (3) 2% tax on next \$1,250.00 or part thereof,

14 (4) 3% tax on next \$1,150.00 or part thereof,

15 (5) 4% tax on next \$1,300.00 or part thereof,

16 (6) 5% tax on next \$1,500.00 or part thereof,

17 (7) 6% tax on next \$2,300.00 or part thereof, and

18 (8) (a) for taxable years beginning after December
19 31, 1998, and before January 1, 2002, 6.75%
20 tax on the remainder,

21 (b) for taxable years beginning on or after
22 January 1, 2002, and before January 1, 2004,
23 7% tax on the remainder, and
24

1 (c) for taxable years beginning on or after
2 January 1, 2004, 6.65% tax on the remainder.

3 b. Married individuals filing jointly and surviving
4 spouse to the extent and in the manner that a
5 surviving spouse is permitted to file a joint return
6 under the provisions of the Internal Revenue Code and
7 heads of households as defined in the Internal Revenue
8 Code not deducting federal income tax:

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

10 (2) 1% tax on next \$3,000.00 or part thereof,

11 (3) 2% tax on next \$2,500.00 or part thereof,

12 (4) 3% tax on next \$2,300.00 or part thereof,

13 (5) 4% tax on next \$2,400.00 or part thereof,

14 (6) 5% tax on next \$2,800.00 or part thereof,

15 (7) 6% tax on next \$6,000.00 or part thereof, and

16 (8) (a) for taxable years beginning after December

17 31, 1998, and before January 1, 2002, 6.75%

18 tax on the remainder,

19 (b) for taxable years beginning on or after

20 January 1, 2002, and before January 1, 2004,

21 7% tax on the remainder, and

22 (c) for taxable years beginning on or after

23 January 1, 2004, 6.65% tax on the remainder.

24 2. METHOD 2.

1 a. Single individuals and married individuals filing
2 separately deducting federal income tax:

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

4 (2) 1% tax on next \$1,500.00 or part thereof,

5 (3) 2% tax on next \$1,250.00 or part thereof,

6 (4) 3% tax on next \$1,150.00 or part thereof,

7 (5) 4% tax on next \$1,200.00 or part thereof,

8 (6) 5% tax on next \$1,400.00 or part thereof,

9 (7) 6% tax on next \$1,500.00 or part thereof,

10 (8) 7% tax on next \$1,500.00 or part thereof,

11 (9) 8% tax on next \$2,000.00 or part thereof,

12 (10) 9% tax on next \$3,500.00 or part thereof, and

13 (11) 10% tax on the remainder.

14 b. Married individuals filing jointly and surviving

15 spouse to the extent and in the manner that a

16 surviving spouse is permitted to file a joint return

17 under the provisions of the Internal Revenue Code and

18 heads of households as defined in the Internal Revenue

19 Code deducting federal income tax:

20 (1) 1/2% tax on the first \$2,000.00 or part thereof,

21 (2) 1% tax on the next \$3,000.00 or part thereof,

22 (3) 2% tax on the next \$2,500.00 or part thereof,

23 (4) 3% tax on the next \$1,400.00 or part thereof,

24 (5) 4% tax on the next \$1,500.00 or part thereof,

- (6) 5% tax on the next \$1,600.00 or part thereof,
- (7) 6% tax on the next \$1,250.00 or part thereof,
- (8) 7% tax on the next \$1,750.00 or part thereof,
- (9) 8% tax on the next \$3,000.00 or part thereof,
- (10) 9% tax on the next \$6,000.00 or part thereof, and
- (11) 10% tax on the remainder.

B. 1. Individuals. For all taxable years beginning on or after January 1, 2008, and before January 1, 2012, a tax is hereby imposed upon the Oklahoma taxable income of every resident or nonresident individual, which tax shall be computed as follows:

~~1.~~

a. Single individuals and married individuals filing separately:

~~(a)~~

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

~~(b)~~

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

~~(c)~~

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

~~(d)~~

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

~~(e)~~

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

~~(f)~~

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

2 ~~(g)~~

3 (7) 5.50% tax on the remainder for the 2008 tax year

4 ~~and any subsequent~~ through the 2011 tax year

5 ~~unless the rate prescribed by subparagraph (h) of~~

6 ~~this paragraph is in effect, and~~

7 ~~(h) 5.25% tax on the remainder for the 2009 and~~

8 ~~subsequent tax years. The decrease in the top~~

9 ~~marginal individual income tax rate otherwise~~

10 ~~authorized by this subparagraph shall be~~

11 ~~contingent upon the determination required to be~~

12 ~~made by the State Board of Equalization pursuant~~

13 ~~to Section 2355.1A of this title.~~

14 ~~2.~~

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:

21 ~~(a)~~

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

23 ~~(b)~~

24 (2) 1% tax on next \$3,000.00 or part thereof,

1 ~~(c)~~

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

3 ~~(d)~~

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

5 ~~(e)~~

6 (5) 4% tax on next \$2,400.00 or part thereof,

7 ~~(f)~~

8 (6) 5% tax on next \$2,800.00 or part thereof, and

9 ~~(g)~~

10 (7) 5.50% tax on the remainder for the 2008 tax year

11 ~~and any subsequent~~ through the 2011 tax year

12 ~~unless the rate prescribed by subparagraph (h) of~~

13 ~~this paragraph is in effect, and~~

14 ~~(h) 5.25% tax on the remainder for the 2009 and~~

15 ~~subsequent tax years. The decrease in the top~~

16 ~~marginal individual income tax rate otherwise~~

17 ~~authorized by this subparagraph shall be~~

18 ~~contingent upon the determination required to be~~

19 ~~made by the State Board of Equalization pursuant~~

20 ~~to Section 2355.1A of this title.~~

21 2. Individuals. For the taxable year beginning on January 1,

22 2012, a tax is hereby imposed upon the Oklahoma taxable income of

23 every resident or nonresident individual, which tax shall be

24 computed as follows:

1 a. Single individuals and married individuals filing
2 separately:

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

4 (2) 1% tax on next \$1,500.00 or part thereof,

5 (3) 2% tax on next \$1,250.00 or part thereof,

6 (4) 3% tax on next \$1,150.00 or part thereof,

7 (5) 4% tax on next \$2,300.00 or part thereof,

8 (6) 5% tax on next \$1,500.00 or part thereof, and

9 (7) 5.25% tax on the remainder.

10 b. Married individuals filing jointly and surviving

11 spouse to the extent and in the manner that a

12 surviving spouse is permitted to file a joint return

13 under the provisions of the Internal Revenue Code and

14 heads of households as defined in the Internal Revenue

15 Code:

16 (1) 1/2% tax on first \$2,000.00 or part thereof,

17 (2) 1% tax on next \$3,000.00 or part thereof,

18 (3) 2% tax on next \$2,500.00 or part thereof,

19 (4) 3% tax on next \$2,300.00 or part thereof,

20 (5) 4% tax on next \$2,400.00 or part thereof,

21 (6) 5% tax on next \$2,800.00 or part thereof, and

22 (7) 5.25% tax on the remainder.

23 3. Individuals. For the taxable year beginning on January 1,

24 2013, a tax is hereby imposed upon the Oklahoma taxable income of

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

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

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

6 (2) 1% tax on next \$1,500.00 or part thereof,

7 (3) 2% tax on next \$1,250.00 or part thereof,

8 (4) 2.25% tax on the remainder.

9 b. Married individuals filing jointly and surviving
10 spouse to the extent and in the manner that a
11 surviving spouse is permitted to file a joint return
12 under the provisions of the Internal Revenue Code and
13 heads of households as defined in the Internal Revenue
14 Code:

15 (1) 1/2% tax on first \$2,000.00 or part thereof,

16 (2) 1% tax on next \$3,000.00 or part thereof,

17 (3) 2% tax on next \$2,500.00 or part thereof,

18 (4) 2.25% tax on the remainder.

19 4. Individuals. For the taxable year beginning on January 1,
20 2014, a tax is hereby imposed upon the Oklahoma taxable income of
21 every resident or nonresident individual, which tax shall be
22 computed as follows:

23 a. Single individuals and married individuals filing
24 separately:

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

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, and
- (3) 2% tax on the remainder.

5. Individuals. For the taxable year beginning on January 1, 2015, 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, and
- (3) 1.75% tax on the remainder.

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

1 under the provisions of the Internal Revenue Code and
2 heads of households as defined in the Internal Revenue
3 Code:

- 4 (1) 1/2% tax on first \$2,000.00 or part thereof,
- 5 (2) 1% tax on next \$3,000.00 or part thereof, and
- 6 (3) 1.75% tax on the remainder.

7 6. Individuals. For the taxable year beginning on January 1,
8 2016, a tax shall be imposed upon the Oklahoma taxable income of
9 every resident or nonresident individual, which tax shall be
10 computed as follows:

11 a. Single individuals and married individuals filing
12 separately:

- 13 (1) 1/2% tax on first \$1,000.00 or part thereof,
- 14 (2) 1% tax on next \$1,500.00 or part thereof, and
- 15 (3) 1.5% tax on the remainder.

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, and
- 24 (3) 1.5% tax on the remainder.

1 7. Individuals. For the taxable year beginning on January 1,
2 2017, a tax shall be imposed upon the Oklahoma taxable income of
3 every resident or nonresident individual, which tax shall be
4 computed as follows:

5 a. Single individuals and married individuals filing
6 separately:

7 (1) 1/2% tax on first \$1,000.00 or part thereof,

8 (2) 1% tax on next \$1,500.00 or part thereof, and

9 (3) 1.25% tax on the remainder.

10 b. Married individuals filing jointly and surviving

11 spouse to the extent and in the manner that a

12 surviving spouse is permitted to file a joint return

13 under the provisions of the Internal Revenue Code and

14 heads of households as defined in the Internal Revenue

15 Code:

16 (1) 1/2% tax on first \$2,000.00 or part thereof,

17 (2) 1% tax on next \$3,000.00 or part thereof, and

18 (3) 1.25% tax on the remainder.

19 8. Individuals. For the taxable year beginning on January 1,
20 2018, a tax shall be imposed upon the Oklahoma taxable income of
21 every resident or nonresident individual, which tax shall be
22 computed as follows:

23 a. Single individuals and married individuals filing
24 separately:

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

2 (2) 1% tax on the remainder.

3 b. Married individuals filing jointly and surviving

4 spouse to the extent and in the manner that a

5 surviving spouse is permitted to file a joint return

6 under the provisions of the Internal Revenue Code and

7 heads of households as defined in the Internal Revenue

8 Code:

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

10 (2) 1% tax on the remainder.

11 9. Individuals. For the taxable year beginning on January 1,

12 2019, a tax shall be imposed upon the Oklahoma taxable income of

13 every resident or nonresident individual, which tax shall be

14 computed as follows:

15 a. Single individuals and married individuals filing

16 separately:

17 (1) 1/2% tax on first \$1,000.00 or part thereof, and

18 (2) 3/4% tax on the remainder.

19 b. Married individuals filing jointly and surviving

20 spouse to the extent and in the manner that a

21 surviving spouse is permitted to file a joint return

22 under the provisions of the Internal Revenue Code and

23 heads of households as defined in the Internal Revenue

24 Code:

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

2 (2) 3/4% tax on the remainder.

3 10. Individuals. For the taxable year beginning on January 1,
4 2020, a tax of 1/2% shall be imposed upon the Oklahoma taxable
5 income of every resident or nonresident who files as a single
6 individual, married individual filing separately, married individual
7 filing jointly, surviving spouse to the extent and in the manner
8 that a surviving spouse is permitted to file a joint return under
9 the provisions of the Internal Revenue Code and head of household as
10 defined in the Internal Revenue Code.

11 11. Individuals. For the taxable year beginning on January 1,
12 2021, a tax of 1/4% shall be imposed upon the Oklahoma taxable
13 income of every resident or nonresident who files as a single
14 individual, married individual filing separately, married individual
15 filing jointly, surviving spouse to the extent and in the manner
16 that a surviving spouse is permitted to file a joint return under
17 the provisions of the Internal Revenue Code and heads of household
18 as defined in the Internal Revenue Code; and

19 12. Individuals. For all taxable years beginning on and after
20 January 1, 2022, no tax shall be imposed on income.

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

23 C. Nonresident aliens. In lieu of the rates set forth in
24 subsection A above, there shall be imposed on nonresident aliens, as

1 defined in the Internal Revenue Code, a tax of eight percent (8%)
2 instead of thirty percent (30%) as used in the Internal Revenue
3 Code, with respect to the Oklahoma taxable income of such
4 nonresident aliens as determined under the provision of the Oklahoma
5 Income Tax Act.

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

1 D. Corporations. For all taxable years beginning after
2 December 31, 1989, a tax is hereby imposed upon the Oklahoma taxable
3 income of every corporation doing business within this state or
4 deriving income from sources within this state in an amount equal to
5 six percent (6%) thereof.

6 There shall be no additional Oklahoma income tax imposed on
7 accumulated taxable income or on undistributed personal holding
8 company income as those terms are defined in the Internal Revenue
9 Code.

10 E. Certain foreign corporations. In lieu of the tax imposed in
11 the first paragraph of subsection C of this section, for all taxable
12 years beginning after December 31, 1989, there shall be imposed on
13 foreign corporations, as defined in the Internal Revenue Code, a tax
14 of six percent (6%) instead of thirty percent (30%) as used in the
15 Internal Revenue Code, where such income is received from sources
16 within Oklahoma, in accordance with the provisions of the Internal
17 Revenue Code and the Oklahoma 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 six percent (6%) 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
24 the Tax Commission, and shall file a return with each such payment.

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

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

18 G. Tax rate tables. For all taxable years beginning after
19 December 31, 1991, in lieu of the tax imposed by subsection A or B
20 of this section, as applicable there is hereby imposed for each
21 taxable year on the taxable income of every individual, whose
22 taxable income for such taxable year does not exceed the ceiling
23 amount, a tax determined under tables, applicable to such taxable
24 year which shall be prescribed by the Tax Commission and which shall

1 be in such form as it determines appropriate. In the table so
2 prescribed, the amounts of the tax shall be computed on the basis of
3 the rates prescribed by subsections A and B of this section. For
4 purposes of this subsection, the term "ceiling amount" means, with
5 respect to any taxpayer, the amount determined by the Tax Commission
6 for the tax rate category in which such taxpayer falls.

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

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

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

24

1 2. For tax years beginning after December 31, 2007 and ending
2 before January 1, 2013, there shall be allowed to a resident
3 individual or part-year resident individual or nonresident
4 individual member of the Armed Forces as a credit against the tax
5 imposed by Section 2355 of this title twenty percent (20%) of the
6 credit for child care expenses allowed under the Internal Revenue
7 Code of the United States or five percent (5%) of the child tax
8 credit allowed under the Internal Revenue Code, whichever amount is
9 greater. Neither credit authorized by this paragraph shall exceed
10 the tax imposed by Section 2355 of this title. The maximum child
11 care credit allowable on the Oklahoma income tax return shall be
12 prorated on the ratio that Oklahoma adjusted gross income bears to
13 the federal adjusted gross income. The credit authorized by this
14 paragraph shall not be claimed by any taxpayer if the federal
15 adjusted gross income reflected on the Oklahoma return for the
16 taxpayer is in excess of One Hundred Thousand Dollars (\$100,000.00).

17 C. 1. Except as otherwise provided by paragraph 3 of this
18 subsection, every taxpayer who operates a manufacturing
19 establishment in the state shall be allowed a direct credit against
20 income taxes owed by such taxpayer to the state, the amount of which
21 credit shall be proportioned to the amount of gas used or consumed
22 in Oklahoma by such taxpayer in the operation of a manufacturing
23 establishment, at a rate of three (3) mills per thousand (1,000)
24 cubic feet of gas used or consumed after May 1, 1971, and during

1 each taxable year of such taxpayer provided that the credit allowed
2 herein shall not apply to the first twenty-five thousand (25,000)
3 MCF of gas used or gas used to generate electricity or consumed
4 after May 1, 1971, and during each taxable year of such taxpayer.

5 2. As used in this subsection:

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

12 b. "gas used or consumed" shall include all natural or
13 casinghead gas used in the operation of the
14 manufacturing establishment for whatever purposes, but
15 shall not include the following:

16 (1) gas which, after being severed from the earth, is
17 subsequently injected into a formation in the
18 state for the purpose of storing, recycling,
19 repressuring or pressure maintenance,

20 (2) gas vented or flared directly into the
21 atmosphere,

22 (3) gas used for fuel in connection with the
23 operation and development for or production of
24 oil or gas in the field where produced, and

1 (4) gas, any part of which is resold by the
2 manufacturing establishment, except as to that
3 part and quantity of the gas which is actually
4 used by the establishment and not resold, and

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

11 3. No credit otherwise authorized by the provisions of this
12 subsection 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 paragraph shall cease to be operative on July 1, 2012.~~
16 ~~Beginning July 1, 2012, the credit authorized by this subsection may~~
17 ~~be claimed for any event, transaction, investment, expenditure or~~
18 ~~other act occurring on or after July 1, 2012, according to the~~
19 ~~provisions of this subsection.~~

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

24 1. Those credits provided in this section; and

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

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

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

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

22 SECTION 5. AMENDATORY 68 O.S. 2011, Section 2358, is
23 amended to read as follows:

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

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

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

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

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

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

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

4 b. For carryovers and carrybacks to taxable years

5 beginning after December 31, 1980, the amount of any
6 net operating loss deduction allowed for the taxable
7 year shall be an amount equal to the aggregate of the
8 Oklahoma net operating loss carryovers and carrybacks
9 to such year. Oklahoma net operating losses shall be
10 separately determined by reference to Section 172 of
11 the Internal Revenue Code, 26 U.S.C., Section 172, as
12 modified by the Oklahoma Income Tax Act, Section 2351
13 et seq. of this title, and shall be allowed without
14 regard to the existence of a federal net operating
15 loss. For tax years beginning after December 31,
16 2000, and ending before January 1, 2008, the years to
17 which such losses may be carried shall be determined
18 solely by reference to Section 172 of the Internal
19 Revenue Code, 26 U.S.C., Section 172, with the
20 exception that the terms "net operating loss" and
21 "taxable income" shall be replaced with "Oklahoma net
22 operating loss" and "Oklahoma taxable income". For
23 tax years beginning after December 31, 2007, and
24 ending before January 1, 2009, years to which such

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

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

15 a. Income from real and tangible personal property, such
16 as rents, oil and mining production or royalties, and
17 gains or losses from sales of such property, shall be
18 allocated in accordance with the situs of such
19 property;

20 b. Income from intangible personal property, such as
21 interest, dividends, patent or copyright royalties,
22 and gains or losses from sales of such property, shall
23 be allocated in accordance with the domiciliary situs
24 of the taxpayer, except that:

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

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

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

17 (3) income from such property which is required to be
18 allocated pursuant to the provisions of paragraph
19 5 of this subsection shall be allocated as herein
20 provided;

21 c. Net income or loss from a business activity which is
22 not a part of business carried on within or without
23 the state of a unitary character shall be separately
24

1 allocated to the state in which such activity is
2 conducted;

3 d. In the case of a manufacturing or processing
4 enterprise the business of which in Oklahoma consists
5 solely of marketing its products by:

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

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

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

21 the Oklahoma net income shall, at the option of the
22 taxpayer, be that portion of the total net income of
23 the taxpayer for federal income tax purposes derived
24 from the manufacture and/or processing and sales

1 everywhere as determined by the ratio of the sales
2 defined in this section made to the purchaser within
3 the state to the total sales everywhere. The term
4 "public warehouse" as used in this subparagraph means
5 a licensed public warehouse, the principal business of
6 which is warehousing merchandise for the public;

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

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

1 on the annual statement filed by the company with
2 the Insurance Commissioner in the form approved
3 by the National Association of Insurance
4 Commissioners, or such other form as may be
5 prescribed in lieu thereof,

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

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

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

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

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

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

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;

23 b. The payroll factor is a fraction, the numerator of
24 which is the total compensation for services rendered

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

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

17 (2) In any case the numerator of the fraction shall
18 include a portion of such expenditures in
19 connection with itinerant employees, such as
20 traveling salespersons, in this state only a part
21 of the time, in the proportion that time spent in
22 Oklahoma bears to total time spent in furtherance
23 of the enterprise by such employees;
24

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

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

20 (2) In the case of a railroad or interurban railway
21 enterprise, the numerator of the fraction shall
22 not be less than the allocation of revenues to
23 this state as shown in its annual report to the
24 Corporation Commission.

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

9 (4) In the case of an oil, gasoline or gas pipeline
10 enterprise, the numerator of the fraction shall
11 be either the total of traffic units of the
12 enterprise within Oklahoma or the revenue
13 allocated to Oklahoma based upon miles moved, at
14 the option of the taxpayer, and the denominator
15 of which shall be the total of traffic units of
16 the enterprise or the revenue of the enterprise
17 everywhere as appropriate to the numerator. A
18 "traffic unit" is hereby defined as the
19 transportation for a distance of one (1) mile of
20 one (1) barrel of oil, one (1) gallon of gasoline
21 or one thousand (1,000) cubic feet of natural or
22 casinghead gas, as the case may be.

23 (5) In the case of a telephone or telegraph or other
24 communication enterprise, the numerator of the

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

18 In any case where the apportionment of the three factors
19 prescribed in this paragraph attributes to Oklahoma a portion of net
20 income of the enterprise out of all appropriate proportion to the
21 property owned and/or business transacted within this state, because
22 of the fact that one or more of the factors so prescribed are not
23 employed to any appreciable extent in furtherance of the enterprise;
24 or because one or more factors not so prescribed are employed to a

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

14 6. For calendar years 1997 and 1998, the owner of a new or
15 expanded agricultural commodity processing facility in this state
16 may exclude from Oklahoma taxable income, or in the case of an
17 individual, the Oklahoma adjusted gross income, fifteen percent
18 (15%) of the investment by the owner in the new or expanded
19 agricultural commodity processing facility. For calendar year 1999,
20 and all subsequent years, the percentage, not to exceed fifteen
21 percent (15%), available to the owner of a new or expanded
22 agricultural commodity processing facility in this state claiming
23 the exemption shall be adjusted annually so that the total estimated
24 reduction in tax liability does not exceed One Million Dollars

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

15 For purposes of this paragraph:

16 a. "Agricultural commodity processing facility" means
17 building, structures, fixtures and improvements used
18 or operated primarily for the processing or production
19 of marketable products from agricultural commodities.
20 The term shall also mean a dairy operation that
21 requires a depreciable investment of at least Two
22 Hundred Fifty Thousand Dollars (\$250,000.00) and which
23 produces milk from dairy cows. The term does not
24 include a facility that provides only, and nothing

1 more than, storage, cleaning, drying or transportation
2 of agricultural commodities, and

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

5 (1) the processing of agricultural commodities,
6 including receiving or storing agricultural
7 commodities, or the production of milk at a dairy
8 operation,

9 (2) transporting the agricultural commodities or
10 product before, during or after the processing,
11 or

12 (3) packaging or otherwise preparing the product for
13 sale or shipment.

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

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

22 b. the loss properly shown on Schedule F of the Internal
23 Revenue Service Form 1040 reduced by one-half (1/2) of
24

1 the income from all other sources other than reflected
2 on Schedule F.

3 8. In taxable years beginning after December 31, 1995, all
4 qualified wages equal to the federal income tax credit set forth in
5 26 U.S.C.A., Section 45A, shall be deducted from taxable income.
6 The deduction allowed pursuant to this paragraph shall only be
7 permitted for the tax years in which the federal tax credit pursuant
8 to 26 U.S.C.A., Section 45A, is allowed. For purposes of this
9 paragraph, "qualified wages" means those wages used to calculate the
10 federal credit pursuant to 26 U.S.C.A., Section 45A.

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

17 10. For taxable years beginning on or after January 1, 2010,
18 there shall be added to Oklahoma taxable income an amount equal to
19 the amount of deferred income not included in such taxable income
20 pursuant to Section 108(i)(1) of the Internal Revenue Code of 1986
21 as amended by Section 1231 of the American Recovery and Reinvestment
22 Act of 2009 (P.L. No. 111-5). There shall be subtracted from
23 Oklahoma taxable income an amount equal to the amount of deferred
24 income included in such taxable income pursuant to Section 108(i)(1)

1 of the Internal Revenue Code of 1986, as amended by Section 1231 of
2 the American Recovery and Reinvestment Act of 2009 (P.L. No. 111-5).

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

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

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

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

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

17 C. 1. For taxable years beginning after December 31, 1987, the
18 taxable income of any corporation shall be further adjusted to
19 arrive at Oklahoma taxable income for transfers of technology to
20 qualified small businesses located in Oklahoma. Such transferor
21 corporation shall be allowed an exemption from taxable income of an
22 amount equal to the amount of royalty payment received as a result
23 of such transfer; provided, however, such amount shall not exceed
24 ten percent (10%) of the amount of gross proceeds received by such

1 transferor corporation as a result of the technology transfer. Such
2 exemption shall be allowed for a period not to exceed ten (10) years
3 from the date of receipt of the first royalty payment accruing from
4 such transfer. No exemption may be claimed for transfers of
5 technology to qualified small businesses made prior to January 1,
6 1988.

7 2. For purposes of this subsection:

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

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

15 (2) Having at least fifty percent (50%) of its
16 employees and assets located in Oklahoma at the
17 time of the transfer, and

18 (3) Not a subsidiary or affiliate of the transferor
19 corporation;

20 b. "Technology" means a proprietary process, formula,
21 pattern, device or compilation of scientific or
22 technical information which is not in the public
23 domain;

24

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

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

7 D. 1. For taxable years beginning after December 31, 2005 and
8 ending before January 1, 2013, the taxable income of any
9 corporation, estate or trust, shall be further adjusted for
10 qualifying gains receiving capital treatment. Such corporations,
11 estates or trusts shall be allowed a deduction from Oklahoma taxable
12 income for the amount of qualifying gains receiving capital
13 treatment earned by the corporation, estate or trust during the
14 taxable year and included in the federal taxable income of such
15 corporation, estate or trust.

16 2. As used in this subsection:

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

22 (1) the sale of real property or tangible personal
23 property located within Oklahoma that has been
24 directly or indirectly owned by the corporation,

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

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

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

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

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

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

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

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

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

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

23 E. The For taxable years beginning before January 1, 2013, if
24 otherwise authorized by Legislative enactment, Oklahoma adjusted

1 gross income of any individual taxpayer shall be further adjusted as
2 provided in this subsection, as follows to arrive at Oklahoma
3 taxable income:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4 f. For taxable years beginning on or after January 1,
5 2010 and ending December 31, 2012, 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 equal to the standard
10 deduction allowed by the Internal Revenue Code of
11 1986, as amended, based upon the amount and filing
12 status prescribed by such Code for purposes of filing
13 federal individual income tax returns.

14 3. ~~In~~ For tax years ending on or before December 31, 2012, in
15 the case of resident and part-year resident individuals having
16 adjusted gross income from sources both within and without the
17 state, the itemized or standard deductions and personal exemptions
18 shall be reduced to an amount which is the same portion of the total
19 thereof as Oklahoma adjusted gross income is of adjusted gross
20 income. To the extent itemized deductions include allowable moving
21 expense, proration of moving expense shall not be required or
22 permitted but allowable moving expense shall be fully deductible for
23 those taxpayers moving within or into Oklahoma and no part of moving
24 expense shall be deductible for those taxpayers moving without or

1 out of Oklahoma. All other itemized or standard deductions and
2 personal exemptions shall be subject to proration as provided by
3 law.

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

16 5. a. Before July 1, 2010, 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 deducted from taxable income.

22 b. On or after July 1, 2010, and ending before ~~January 1,~~
23 ~~2015~~ January 1, 2013, one hundred percent (100%) of
24 the income received by any person from the United

1 States as salary or compensation in any form, other
2 than retirement benefits, as a member of any component
3 of the Armed Forces of the United States shall be
4 deducted from taxable income.

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

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

1 e. Whenever the filing of a timely income tax return by a
2 member of the Armed Forces of the United States is
3 made impracticable or impossible of accomplishment by
4 reason of:

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

8 (2) absence from the State of Oklahoma while on
9 active duty; or

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

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

17 (a) Such individual shall return to the United
18 States if the extension is granted pursuant
19 to subparagraph a of this paragraph, return
20 to the State of Oklahoma if the extension is
21 granted pursuant to subparagraph b of this
22 paragraph or be discharged from such
23 hospital if the extension is granted
24

1 pursuant to subparagraph c of this
2 paragraph; or

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

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

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

22 7. Notwithstanding anything in the Internal Revenue Code ~~or in~~
23 ~~the Oklahoma Income Tax Act~~ to the contrary, it is expressly
24 provided that, in the case of resident individuals, amounts received

1 before January 1, 2013 as dividends or distributions of earnings
2 from savings and loan associations or credit unions located in
3 Oklahoma, and interest received on savings accounts and time
4 deposits from such sources or from state and national banks or trust
5 companies located in Oklahoma, shall qualify as dividends for the
6 purpose of the dividend exclusion, and taxable income shall be
7 adjusted accordingly to arrive at Oklahoma taxable income; provided,
8 however, that the dividend, distribution of earnings and/or interest
9 exclusion provided for hereinabove shall not be cumulative to the
10 maximum dividend exclusion allowed by the Internal Revenue Code.
11 Any dividend exclusion already allowed by the Internal Revenue Code
12 and reflected in the taxpayer's Oklahoma taxable income together
13 with exclusion allowed herein shall not exceed the total of One
14 Hundred Dollars (\$100.00) per individual or Two Hundred Dollars
15 (\$200.00) per couple filing a joint return.

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

20 b. Federal taxes as described in subparagraph a of this
21 paragraph shall be deductible by any individual
22 taxpayer, whether resident or nonresident, only to the
23 extent they relate to income subject to taxation
24 pursuant to the provisions of the Oklahoma Income Tax

1 Act. The maximum amount allowable in the preceding
2 paragraph shall be prorated on the ratio of the
3 Oklahoma adjusted gross income to federal adjusted
4 gross income.

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

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

21 9. Retirement benefits not to exceed Five Thousand Five Hundred
22 Dollars (\$5,500.00) for the 2004 tax year, Seven Thousand Five
23 Hundred Dollars (\$7,500.00) for the 2005 tax year and Ten Thousand
24 Dollars (\$10,000.00) for the 2006 tax year ~~and all subsequent tax~~

1 ~~years~~ through the 2012 tax year, which are received by an individual
2 from the civil service of the United States, the Oklahoma Public
3 Employees Retirement System, the Teachers' Retirement System of
4 Oklahoma, the Oklahoma Law Enforcement Retirement System, the
5 Oklahoma Firefighters Pension and Retirement System, the Oklahoma
6 Police Pension and Retirement System, the employee retirement
7 systems created by counties pursuant to Section 951 et seq. of Title
8 19 of the Oklahoma Statutes, the Uniform Retirement System for
9 Justices and Judges, the Oklahoma Wildlife Conservation Department
10 Retirement Fund, the Oklahoma Employment Security Commission
11 Retirement Plan, or the employee retirement systems created by
12 municipalities pursuant to Section 48-101 et seq. of Title 11 of the
13 Oklahoma Statutes shall be exempt from taxable income.

14 10. In taxable years beginning after December 31, 1984 and
15 ending on December 31, 2012, Social Security benefits received by an
16 individual shall be exempt from taxable income, to the extent such
17 benefits are included in the federal adjusted gross income pursuant
18 to the provisions of Section 86 of the Internal Revenue Code, 26
19 U.S.C., Section 86.

20 11. For taxable years beginning after December 31, 1994 and
21 ending on December 31, 2012, lump-sum distributions from employer
22 plans of deferred compensation, which are not qualified plans within
23 the meaning of Section 401(a) of the Internal Revenue Code, 26
24 U.S.C., Section 401(a), and which are deposited in and accounted for

1 within a separate bank account or brokerage account in a financial
2 institution within this state, shall be excluded from taxable income
3 in the same manner as a qualifying rollover contribution to an
4 individual retirement account within the meaning of Section 408 of
5 the Internal Revenue Code, 26 U.S.C., Section 408. Amounts
6 withdrawn from such bank or brokerage account, including any
7 earnings thereon, shall be included in taxable income when withdrawn
8 in the same manner as withdrawals from individual retirement
9 accounts within the meaning of Section 408 of the Internal Revenue
10 Code.

11 12. In taxable years beginning after December 31, 1995,
12 contributions made to and interest received from a medical savings
13 account established pursuant to Sections 2621 through 2623 of Title
14 63 of the Oklahoma Statutes shall be exempt from taxable income.

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

1 allowed or permitted on the federal income tax return of the
2 individual.

3 14. a. In taxable years beginning after December 31, 2002 and
4 ending on December 31, 2012, nonrecurring adoption
5 expenses paid by a resident individual taxpayer in
6 connection with:

- 7 (1) the adoption of a minor, or
8 (2) a proposed adoption of a minor which did not
9 result in a decreed adoption,
10 may be deducted from the Oklahoma adjusted gross
11 income.

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

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

21 d. "Nonrecurring adoption expenses" means adoption fees,
22 court costs, medical expenses, attorney fees and
23 expenses which are directly related to the legal
24 process of adoption of a child including, but not

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

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

1 ending on December 31, 2012, retirement benefits not
2 to exceed the amounts specified in this paragraph,
3 which are received by an individual whose Oklahoma
4 adjusted gross income is less than the qualifying
5 amount specified in this paragraph, shall be exempt
6 from taxable income.

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

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

17 (2) in the taxable year beginning January 1, 2007,
18 the qualifying amount shall be Fifty Thousand
19 Dollars (\$50,000.00) or less if the filing status
20 is single, head of household, or married filing
21 separate, or One Hundred Thousand Dollars
22 (\$100,000.00) or less if the filing status is
23 married filing jointly or qualifying widow,
24

1 (3) in the taxable year beginning January 1, 2008,
2 the qualifying amount shall be Sixty-two Thousand
3 Five Hundred Dollars (\$62,500.00) or less if the
4 filing status is single, head of household, or
5 married filing separate, or One Hundred Twenty-
6 five Thousand Dollars (\$125,000.00) or less if
7 the filing status is married filing jointly or
8 qualifying widow,

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

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

20 c. For purposes of this paragraph, "retirement benefits"
21 means the total distributions or withdrawals from the
22 following:
23
24

- 1 (1) an employee pension benefit plan which satisfies
2 the requirements of Section 401 of the Internal
3 Revenue Code, 26 U.S.C., Section 401,
- 4 (2) an eligible deferred compensation plan that
5 satisfies the requirements of Section 457 of the
6 Internal Revenue Code, 26 U.S.C., Section 457,
- 7 (3) an individual retirement account, annuity or
8 trust or simplified employee pension that
9 satisfies the requirements of Section 408 of the
10 Internal Revenue Code, 26 U.S.C., Section 408,
- 11 (4) an employee annuity subject to the provisions of
12 Section 403(a) or (b) of the Internal Revenue
13 Code, 26 U.S.C., Section 403(a) or (b),
- 14 (5) United States Retirement Bonds which satisfy the
15 requirements of Section 86 of the Internal
16 Revenue Code, 26 U.S.C., Section 86, or
- 17 (6) lump-sum distributions from a retirement plan
18 which satisfies the requirements of Section
19 402(e) of the Internal Revenue Code, 26 U.S.C.,
20 Section 402(e).

21 d. The amount of the exemption provided by this paragraph
22 shall be limited to Five Thousand Five Hundred Dollars
23 (\$5,500.00) for the 2004 tax year, Seven Thousand Five
24 Hundred Dollars (\$7,500.00) for the 2005 tax year and

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

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

21 17. In taxable years beginning December 31, 2000, an amount
22 equal to one hundred percent (100%) of the amount of any scholarship
23 or stipend received from participation in the Oklahoma Police Corps
24

1 Program, as established in Section 2-140.3 of Title 47 of the
2 Oklahoma Statutes shall be exempt from taxable income.

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

12 b. In taxable years beginning after December 31, 2004 and
13 ending on December 31, 2012, each taxpayer shall be
14 allowed a deduction for contributions to accounts
15 established pursuant to the Oklahoma College Savings
16 Plan Act. The maximum annual deduction shall equal
17 the amount of contributions to all such accounts plus
18 any contributions to such accounts by the taxpayer for
19 prior taxable years after December 31, 2004, which
20 were not deducted, but in no event shall the deduction
21 for each tax year exceed Ten Thousand Dollars
22 (\$10,000.00) for each individual taxpayer or Twenty
23 Thousand Dollars (\$20,000.00) for taxpayers filing a
24 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 and ending on December 31, 2012, deductions may
6 be taken for contributions and rollovers made during a
7 taxable year and up to April 15 of the succeeding
8 year, or the due date of a taxpayer's state income tax
9 return, excluding extensions, whichever is later.
10 Provided, a deduction for the same contribution may
11 not be taken for two (2) different taxable years.

12 c. In taxable years beginning after December 31, 2006 and
13 ending on December 31, 2012, deductions for
14 contributions made pursuant to subparagraph b of this
15 paragraph shall be limited as 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

23 (2) for a taxpayer who elects to take a rollover or
24 nonqualified withdrawal within the same tax year

1 in which a contribution was made to the
2 taxpayer's account, the tax deduction otherwise
3 available pursuant to subparagraph b of this
4 paragraph shall be reduced by the amount of the
5 contribution which is equal to the rollover or
6 nonqualified withdrawal.

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

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

20 f. As used in this paragraph:

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

24 (a) a qualified withdrawal,

1 (b) a withdrawal made as a result of the death
2 or disability of the designated beneficiary
3 of an account,

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

12 (d) a rollover or change of designated
13 beneficiary as permitted by subsection F of
14 Section 3970.7 of Title 70 of Oklahoma
15 Statutes, and

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

19 19. For taxable years beginning after December 31, 2005 and
20 ending on December 31, 2012, retirement benefits received by an
21 individual from any component of the Armed Forces of the United
22 States in an amount not to exceed the greater of seventy-five
23 percent (75%) of such benefits or Ten Thousand Dollars (\$10,000.00)

1 shall be exempt from taxable income but in no case less than the
2 amount of the exemption provided by paragraph 15 of this subsection.

3 20. For taxable years beginning after December 31, 2006 and
4 ending on December 31, 2012, retirement benefits received by federal
5 civil service retirees, including survivor annuities, paid in lieu
6 of Social Security benefits shall be exempt from taxable income to
7 the extent such benefits are included in the federal adjusted gross
8 income pursuant to the provisions of Section 86 of the Internal
9 Revenue Code, 26 U.S.C., Section 86, according to the following
10 schedule:

- 11 a. in the taxable year beginning January 1, 2007, twenty
12 percent (20%) of such benefits shall be exempt,
- 13 b. in the taxable year beginning January 1, 2008, forty
14 percent (40%) of such benefits shall be exempt,
- 15 c. in the taxable year beginning January 1, 2009, sixty
16 percent (60%) of such benefits shall be exempt,
- 17 d. in the taxable year beginning January 1, 2010, eighty
18 percent (80%) of such benefits shall be exempt, and
- 19 e. in the taxable year beginning January 1, 2011, and
20 subsequent taxable years when the exemption is in
21 effect, one hundred percent (100%) of such benefits
22 shall be exempt.

23 21. a. For taxable years beginning after December 31, 2007
24 and ending on December 31, 2012, a resident individual

1 may deduct up to Ten Thousand Dollars (\$10,000.00)
2 from Oklahoma adjusted gross income if the individual,
3 or the dependent of the individual, while living,
4 donates one or more human organs of the individual to
5 another human being for human organ transplantation.
6 As used in this paragraph, "human organ" means all or
7 part of a liver, pancreas, kidney, intestine, lung, or
8 bone marrow. A deduction that is claimed under this
9 paragraph may be claimed in the taxable year in which
10 the human organ transplantation occurs.

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

15 c. The Oklahoma Tax Commission shall promulgate rules to
16 implement the provisions of this paragraph which shall
17 contain a specific list of expenses which may be
18 presumed to qualify for the deduction. The Tax
19 Commission shall prescribe necessary requirements for
20 verification.

21 22. For taxable years beginning after December 31, 2009, there
22 shall be exempt from taxable income any amount received by the
23 beneficiary of the death benefit for an emergency medical technician
24

1 or a registered emergency medical responder provided by Section 1-
2 2505.1 of Title 63 of the Oklahoma Statutes.

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

7 24. For taxable years beginning after December 31, 2008, there
8 shall be exempt from taxable income any payment in an amount less
9 than Six Hundred Dollars (\$600.00) received by a person as an award
10 for participation in a competitive livestock show event. For
11 purposes of this paragraph, the payment shall be treated as a
12 scholarship amount paid by the entity sponsoring the event and the
13 sponsoring entity shall cause the payment to be categorized as a
14 scholarship in its books and records.

15 F. 1. For taxable years beginning after December 31, 2004 and
16 ending on December 31, 2012, a deduction from the Oklahoma adjusted
17 gross income of any individual taxpayer shall be allowed for
18 qualifying gains receiving capital treatment that are included in
19 the federal adjusted gross income of such individual taxpayer during
20 the taxable year.

21 2. As used in this subsection:

22 a. "qualifying gains receiving capital treatment" means
23 the amount of net capital gains, as defined in Section
24 1222(11) of the Internal Revenue Code, included in an

1 individual taxpayer's federal income tax return that
2 result from:

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

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

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

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

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

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

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

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

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 capital gain, and each pass-through entity

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

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

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

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

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

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

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

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

23 The term shall not include a real estate investment
24 trust that is intended to be regularly traded on an

1 established securities market, and that satisfies the
2 requirements of Section 856(a)(5) and (6) of the U.S.
3 Internal Revenue Code by reason of Section 856(h)(2)
4 of the Internal Revenue Code,

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

7 (1) any real estate investment trust as defined in
8 paragraph a of this subsection other than a
9 "captive real estate investment trust", or

10 (2) any qualified real estate investment trust
11 subsidiary under Section 856(i) of the Internal
12 Revenue Code of 1986, as amended, other than a
13 qualified REIT subsidiary of a "captive real
14 estate investment trust", or

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

1 (75%) or more of the voting power or value of the
2 beneficial interests or shares of such trust, or
3 (4) any Qualified Foreign Entity, meaning a
4 corporation, trust, association or partnership
5 organized outside the laws of the United States
6 and which satisfies the following criteria:
7 (a) at least seventy-five percent (75%) of the
8 entity's total asset value at the close of
9 its taxable year is represented by real
10 estate assets, as defined in Section
11 856(c) (5) (B) of the Internal Revenue Code of
12 1986, as amended, thereby including shares
13 or certificates of beneficial interest in
14 any real estate investment trust, cash and
15 cash equivalents, and U.S. Government
16 securities,
17 (b) the entity receives a dividend-paid
18 deduction comparable to Section 561 of the
19 Internal Revenue Code of 1986, as amended,
20 or is exempt from entity level tax,
21 (c) the entity is required to distribute at
22 least eighty-five percent (85%) of its
23 taxable income, as computed in the
24 jurisdiction in which it is organized, to

1 the holders of its shares or certificates of
2 beneficial interest on an annual basis,

3 (d) not more than ten percent (10%) of the
4 voting power or value in such entity is held
5 directly or indirectly or constructively by
6 a single entity or individual, or the shares
7 or beneficial interests of such entity are
8 regularly traded on an established
9 securities market, and

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

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

17 4. A real estate investment trust that does not become
18 regularly traded on an established securities market within one (1)
19 year of the date on which it first becomes a real estate investment
20 trust shall be deemed not to have been regularly traded on an
21 established securities market, retroactive to the date it first
22 became a real estate investment trust, and shall file an amended
23 return reflecting such retroactive designation for any tax year or
24 part year occurring during its initial year of status as a real

1 estate investment trust. For purposes of this subsection, a real
2 estate investment trust becomes a real estate investment trust on
3 the first day it has both met the requirements of Section 856 of the
4 Internal Revenue Code and has elected to be treated as a real estate
5 investment trust pursuant to Section 856(c)(1) of the Internal
6 Revenue Code.

7 SECTION 6. REPEALER 27A O.S. 2011, Section 2-11-303, is
8 hereby repealed.

9 SECTION 7. REPEALER 68 O.S. 2011, Sections 2357.4,
10 2357.6, 2357.7, 2357.11, 2357.22, 2357.24, 2357.25, 2357.26,
11 2357.27, 2357.28, 2357.29, 2357.30, 2357.32A, 2357.32B, 2357.33,
12 2357.41, 2357.43, 2357.45, 2357.46, 2357.47, 2357.59, 2357.62,
13 2357.63, 2357.73, 2357.74, 2357.81, 2357.100, 2357.101, 2357.102,
14 2357.104, 2357.203, 2357.206, 2357.302, 2357.303, 2357.304, 2358.3,
15 2358.7, 2370.1, 2370.3, 2908, 3624, 5011 and 54006.1, are hereby
16 repealed.

17 SECTION 8. Section 7 of this act shall become effective July 1,
18 2012.

19 SECTION 9. Sections 1, 2 and 5 of this act shall become
20 effective January 1, 2013.

21 SECTION 10. It being immediately necessary for the preservation
22 of the public peace, health and safety, an emergency is hereby
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24

1 declared to exist, by reason whereof this act shall take effect and
2 be in full force from and after its passage and approval.

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