

1 STATE OF OKLAHOMA

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

3 SENATE BILL 1587

By: Holt, Brecheen, Johnson
(Rob) and Treat

4
5
6 AS INTRODUCED

7 An Act relating to income tax; amending 27A O.S.
8 2011, Section 2-11-303, which relates to income tax
credits for certain investment; limiting ability of
9 certain taxpayers to claim credit for investment
related to recycling, reuse or reduction of hazardous
10 waste; amending 68 O.S. 2011, Section 1353, which
relates to sales tax; modifying apportionment of
sales tax after specified date for purposes of
11 conformity; amending 68 O.S. 2011, Section 2353,
which relates to definitions; modifying definition;
12 amending 68 O.S. 2011, Section 2355, which relates to
income tax rates; modifying rates and brackets for
13 specified time period; amending 68 O.S. 2011,
Sections 2357, 2357.4, 2357.6, 2357.11, 2357.22,
14 2357.25, 2357.26, 2357.27, 2357.30, 2357.32A,
2357.32B, 2357.33, 2357.41, 2357.45, 2357.46,
15 2357.47, 2357.59, 2357.81, 2357.100, 2357.101,
2357.102, 2357.104, 2357.203, 2357.206, 2357.302 and
16 2357.303, which relate to tax credits; limiting
ability of certain taxpayers to claim credit related
17 to or for certain federal credits, certain
investments or hiring, contributions to certain fund,
18 providing power or making purchase related to coal,
investments in certain property, investments by
19 agricultural producers, expenses related to providing
child care services or the business of child care
20 services, small business guaranty fees, production
and sale of electricity, manufacture of small wind
21 turbines, certain immunizations, expenditures for
rehabilitation of certain buildings, donations to
22 certain institutes, energy efficient residential
construction, wages and modification expenses,
23 investment in certain facilities, amount equal to ad
valorem taxes, purchase of poultry litter, investment
24 in film or music project, purchase of dry fire

1 hydrant, railroad reconstruction or replacement
2 expenditures, costs associated with specially trained
3 canines, contributions to certain organizations,
4 tuition reimbursement for certain employees,
5 compensation paid to certain employees, amending 68
6 O.S. 2011, Section 2358, which relates to adjustments
7 to income; after certain date, deleting ability to
8 adjust income for personal exemption, blindness,
9 standard or itemized deductions, expenses related to
10 modification for a disability, certain dividends,
11 retirement benefits, Social Security benefits,
12 contributions to a medical savings account, deferred
13 compensation distributions, depreciation for certain
14 costs, nonrecurring adoption expenses, discharge of
15 specified obligations, certain stipend or
16 scholarship, contributions to the College Savings
17 Plan, certain military retirement benefits, benefits
18 in lieu of Social Security, amounts related to organ
19 donation, amounts received by a beneficiary of death
20 benefits, amount received by a participant in a
21 livestock show, capital gains received by an
22 individual and employment related to computer and
23 data services; repealing 68 O.S. 2011, Sections
24 2357.43, 2357.304, 2358.3, 2358.7, 2906, 2907 and
5011, which relate to tax credits, exemptions and
deductions; providing effective dates; and declaring
an emergency.

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

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

Section 2-11-303. A. Except as otherwise provided in
subsection C of this section, any person, firm, corporation or other
legal entity engaged, or proposing to engage, in the recycling,
reuse or source reduction of any hazardous waste, the processing of
which is certified as provided in Section 2-11-305 of this title,

1 shall be entitled to a one-time credit against its income tax
2 liability, as provided in Section 2-11-304 of this title, of not to
3 exceed twenty percent (20%) of the net investment cost of equipment
4 and installation of processes used for the recycling, reuse, or
5 source reduction of hazardous waste. Provided, that:

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

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

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

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

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

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

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

1 ~~this subsection shall cease to be operative on July 1, 2012.~~
2 ~~Beginning July 1, 2012, the credit authorized by this section may be~~
3 ~~claimed for any event, transaction, investment, expenditure or other~~
4 ~~act occurring on or after July 1, 2012, according to the provisions~~
5 ~~of this section by any taxpayer subject to the tax imposed by~~
6 subsection B of Section 2355 of this title.

7 SECTION 2. AMENDATORY 68 O.S. 2011, Section 1353, is
8 amended to read as follows:

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

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 through FY 2018</u>	<u>82.147%</u>
<u>FY 2019 and each fiscal</u>	
<u>year thereafter</u>	<u>81.938%</u>

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

22 2. ~~For FY 2003, FY 2004 and FY 2005, ten and forty-two one-~~
23 ~~hundredths percent (10.42%),~~ The following amounts shall be paid to
24 the State Treasurer to be placed to the credit of the Education

1 Reform Revolving Fund of the State Department of Education ~~and for~~
 2 ~~FY 2006 and each fiscal year thereafter, ten and forty-six one-~~
 3 ~~hundredths percent (10.46%) shall be paid to the State Treasurer to~~
 4 ~~be placed to the credit of the Education Reform Revolving Fund of~~
 5 ~~the State Department of Education;~~;

<u>Fiscal Year</u>	<u>Amount</u>
<u>FY 2012 through FY 2013</u>	<u>10.46%</u>
<u>FY 2014 through FY 2018</u>	<u>10.277%</u>
<u>FY 2019 and each fiscal</u> <u>year thereafter</u>	<u>10.251%</u>

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

Fiscal Year	Amount
FY 2003 and FY 2004	3.54%
FY 2005	3.75%
FY 2006	4.0%
FY 2007	4.5%
FY 2008 and each fiscal year thereafter	5.0%
<u>FY 2008 through FY 2013</u>	<u>5.0%</u>
<u>FY 2014 and each fiscal</u> <u>year thereafter</u>	<u>6.25%</u>

1 4. ~~For the fiscal year beginning July 1, 2010, and for each~~
 2 ~~fiscal year thereafter, eighty-seven one-hundredths percent (0.87%)~~
 3 The following amounts shall be paid to the State Treasurer to be
 4 further apportioned as ~~follows~~ provided in subparagraphs a and b of
 5 this paragraph:

<u>Fiscal Year</u>	<u>Amount</u>
<u>FY 2012 through FY 2013</u>	<u>0.87%</u>
<u>FY 2014 through FY 2018</u>	<u>0.855%</u>
<u>FY 2019 and each fiscal</u> <u>year thereafter</u>	<u>0.853%</u>

- 11 a. thirty-six percent (36%) shall be placed to the credit
 12 of the Oklahoma Tourism Promotion Revolving Fund, and
 13 b. sixty-four percent (64%) shall be placed to the credit
 14 of the Oklahoma Tourism Capital Improvement Revolving
 15 Fund; and

16 5. ~~For the fiscal year beginning July 1, 2010, and for each~~
 17 ~~fiscal year thereafter, six one-hundredths percent (0.06%)~~ The
 18 following amounts shall be placed to the credit of the Oklahoma
 19 Historical Society Capital Improvement and Operations Revolving
 20 Fund-:

<u>Fiscal Year</u>	<u>Amount</u>
<u>FY 2012 through FY 2013</u>	<u>0.06%</u>
<u>FY 2014 and each fiscal</u> <u>year thereafter</u>	<u>0.59%</u>

1 6. For the fiscal year beginning July 1, 2013, through the
2 fiscal year ending on June 30, 2018, one-half of one percent (0.5%)
3 shall be placed to the credit of the Ad Valorem Reimbursement Fund.
4 For the fiscal year beginning July 1, 2018, and each fiscal year
5 thereafter, three-quarters of one percent (0.75%) shall be placed to
6 the credit of the Ad Valorem Reimbursement Fund.

7 7. During the first fiscal year after the State Board of
8 Equalization has made a determination as provided in Section 2355.1B
9 of this title, regarding a baseline amount of revenue apportioned
10 pursuant to paragraph 3 of this section, and for each fiscal year
11 thereafter, in no event shall monies apportioned pursuant to
12 paragraph 3 of this section, paragraph 3 of Section 1403 of this
13 title and subparagraph c of paragraph 1 of Section 2352 of this
14 title be less than such baseline amount.

15 B. Provided, for the fiscal year beginning July 1, 2007, and
16 every fiscal year thereafter, an amount of revenue shall be
17 apportioned to each municipality or county which levies a sales tax
18 subject to the provisions of Section 1357.10 of this title and
19 subsection F of Section 2701 of this title equal to the amount of
20 sales tax revenue of such municipality or county exempted by the
21 provisions of Section 1357.10 of this title and subsection F of
22 Section 2701 of this title. The Oklahoma Tax Commission shall
23 promulgate and adopt rules necessary to implement the provisions of
24 this subsection.

1 SECTION 3. AMENDATORY 68 O.S. 2011, Section 2353, is
2 amended to read as follows:

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

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

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

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

21 4. "Resident individual" means a natural person who is
22 domiciled in this state, and any other natural person who spends in
23 the aggregate more than seven (7) months of the taxable year within
24 this state shall be presumed to be a resident for purposes of

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

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

- 11 a. during any period of twenty-four (24) consecutive
12 months is out of the United States at least five
13 hundred fifty (550) days,
- 14 b. during such period referred to in subparagraph a of
15 this paragraph is not present in this state for more
16 than ninety (90) days during any taxable year,
- 17 c. during any period of less than an entire taxable year,
18 which period is contained within the period referred
19 to in subparagraph a of this paragraph, is not present
20 in this state for a number of days in excess of an
21 amount which bears the same ratio to ninety (90) days
22 as the number of days contained in the period of less
23 than an entire taxable year bears to three hundred
24 sixty-five (365), and

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

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

10 6. "Resident trust" means:

11 a. a trust, or a portion of a trust, consisting of
12 property transferred by will of a decedent domiciled
13 in this state at death, or a trust, or a portion of a
14 trust, consisting of the property of a person
15 domiciled in this state if such trust is not
16 irrevocable, and

17 b. a trust, or portion of a trust, consisting of property
18 of a person domiciled in this state at the time such
19 property was transferred to the trust if such trust or
20 portion was then irrevocable or a person domiciled in
21 this state at the time such trust or portion became
22 irrevocable. A trust, or portion of a trust, is
23 irrevocable if it is not subject to a power
24 exercisable solely by the transferor of such property,

1 at any time, to revest title in the transferor.

2 "Nonresident trust" means a trust other than a
3 resident trust;

4 7. "Resident partner" means a partner who is a resident
5 individual, a resident estate, a resident trust or a resident
6 corporation. "Nonresident partner" means a partner other than a
7 resident partner;

8 8. "Resident beneficiary" means a beneficiary of an estate or
9 trust which beneficiary is a resident individual, a resident estate,
10 a resident trust or a resident corporation. "Nonresident
11 beneficiary" means a beneficiary other than a resident beneficiary;

12 9. "Resident corporation" means a corporation whose principal
13 place of business is located within the State of Oklahoma.
14 "Nonresident corporation" means any corporation other than a
15 resident corporation;

16 10. "Taxable income" with respect to any taxpayer means the
17 "taxable income", "life insurance company taxable income", "mutual
18 insurance company taxable income", "(regulated) investment company
19 taxable income", "real estate investment trust taxable income", and
20 "cooperatives' taxable income" and any other "taxable income" as
21 defined in the Internal Revenue Code as applies to such taxpayer or
22 any other income of such taxpayer including, but not limited to,
23 lump sum distributions as defined by the Internal Revenue Code of
24 1986, as amended; provided, in the case of income derived from oil

1 and gas well production, any taxpayer, at his or her option, may
2 deduct as an allowance for depletion for tax years ending on or
3 before December 31, 2012, in lieu of other calculation of depletion
4 based on the cost of the oil and gas deposit, twenty-two percent
5 (22%) of the gross income derived from the properties during the
6 taxable year. For the tax year beginning on January 1, 2013, and
7 all subsequent tax years, the twenty-two-percent deduction shall not
8 be allowed for any taxpayer subject to tax imposed by subsection B
9 of Section 2355 of this title. Provided further, for tax years
10 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, for all taxpayers, such allowance shall not exceed
18 fifty percent (50%) of the net income of the taxpayer (computed
19 without allowance for depletion) from the property. If a depletion
20 allowance is allowed as a deduction in arriving at the adjusted
21 gross income in the case of an individual, or taxable income for
22 corporations and trusts, or distributable income of partnerships by
23 the Internal Revenue Service, the percentage depletion so calculated

24

1 shall in no event be a duplication of depletion allowed on the
2 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 4. 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, and

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, and

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, and

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 5. 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 by any taxpayer subject to the tax~~
20 ~~imposed by subsection B of Section 2355 of this title.~~

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

1 1. Those credits provided in this section; and

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

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

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

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

23 SECTION 6. AMENDATORY 68 O.S. 2011, Section 2357.4, is
24 amended to read as follows:

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

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

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

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

22 1. Investment in qualified depreciable property with a total
23 cost equal to or greater than Forty Million Dollars (\$40,000,000.00)
24 within three (3) years from the date of initial qualifying

1 expenditure and placed in service in this state during those years
2 for use in the manufacture of products described by any Industry
3 Number contained in Division D of Part I of the Standard Industrial
4 Classification (SIC) Manual, latest revision; or

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

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

19 D. If a business entity fails to expend the amount required by
20 paragraph 1 or paragraph 2 of subsection B of this section within
21 the time required, the business entity may not claim the credit
22 authorized by subsection B of this section, but shall be allowed to
23 claim a credit pursuant to subsection A of this section if the
24 requirements of subsection A of this section are met with respect to

1 the investment in qualified depreciable property or net increase in
2 the number of full-time-equivalent employees.

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

24

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

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

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

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

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

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

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

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

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

21 1. To each of the four (4) years following the year of
22 qualification;

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

1 3. If a C corporation that otherwise qualified for the credits
2 under subsection A of this section subsequently changes its
3 operating status to that of a pass-through entity which is being
4 treated as the same entity for federal tax purposes, the credits
5 will continue to be available as if the pass-through entity had
6 originally qualified for the credits subject to the limitations of
7 this section.

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

12 J. No credit otherwise authorized by the provisions of this
13 section may be claimed for any event, transaction, investment,
14 expenditure or other act occurring on or after July 1, 2010,~~for~~
15 ~~which the credit would otherwise be allowable until the provisions~~
16 ~~of this subsection shall cease to be operative on July 1, 2012.~~
17 except as provided in this subsection. Beginning July 1, 2012, the
18 credit authorized by this section may be claimed for any event,
19 transaction, investment, expenditure or other act ~~occurring on or~~
20 ~~after July 1, 2010, according to the provisions of this section;~~
21 ~~provided, credits~~ as follows:

22 1. Credits accrued during the period from July 1, 2010, through
23 June 30, 2012, shall be limited to a period of two (2) taxable
24 years. The credit shall be limited in each taxable year to fifty

1 percent (50%) of the total amount of the accrued credit. Any tax
2 credits which accrue during the period of July 1, 2010, through June
3 30, 2012, may not be claimed for any period prior to the taxable
4 year beginning January 1, 2012. No credits which accrue during the
5 period of July 1, 2010, through June 30, 2012, may be used to file
6 an amended tax return for any taxable year prior to the taxable year
7 beginning January 1, 2012; and

8 2. Credits accrued on or after July 1, 2012, shall not be
9 allowed for any taxpayer subject to the tax imposed by subsection B
10 of Section 2355 of this title.

11 SECTION 7. AMENDATORY 68 O.S. 2011, Section 2357.6, is
12 amended to read as follows:

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

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

1 ~~Beginning July 1, 2012, the credit authorized by this section may be~~
2 ~~claimed for any event, transaction, investment, expenditure or other~~
3 ~~act occurring on or after July 1, 2012, according to the provisions~~
4 ~~of this section by any taxpayer subject to the tax imposed by~~
5 ~~subsection B of Section 2355 of this title.~~

6 SECTION 8. AMENDATORY 68 O.S. 2011, Section 2357.11, is
7 amended to read as follows:

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

12 B. 1. Except as provided in subsection M of this section, for
13 tax years beginning on or after January 1, 1993, and ending on or
14 before December 31, 2014, there shall be allowed a credit against
15 the tax imposed by Section 1803 or Section 2355 of this title or
16 Section 624 or 628 of Title 36 of the Oklahoma Statutes for every
17 person in this state furnishing water, heat, light or power to the
18 state or its citizens, or for every person in this state burning
19 coal to generate heat, light or power for use in manufacturing
20 operations located in this state.

21 2. For tax years beginning on or after January 1, 1993, and
22 ending on or before December 31, 2005, and for the period of January
23 1, 2006, through June 30, 2006, the credit shall be in the amount of
24

1 Two Dollars (\$2.00) per ton for each ton of Oklahoma-mined coal
2 purchased by such person.

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

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

17 C. For tax years beginning on or after January 1, 1995, and
18 ending on or before December 31, 2005, and for the period beginning
19 January 1, 2006, through June 30, 2006, there shall be allowed, in
20 addition to the credits allowed pursuant to subsection B of this
21 section, a credit against the tax imposed by Section 1803 or Section
22 2355 of this title or Section 624 or 628 of Title 36 of the Oklahoma
23 Statutes for every person in this state which:

24

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

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

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

9 D. Except as otherwise provided in subsection E of this section
10 and in subsection M of this section, for tax years beginning on or
11 after January 1, 2001, there shall be allowed a credit against the
12 tax imposed by Section 1803 or Section 2355 of this title or Section
13 624 or 628 of Title 36 of the Oklahoma Statutes for every person in
14 this state primarily engaged in mining, producing or extracting
15 coal, and holding a valid permit issued by the Oklahoma Department
16 of Mines. For tax years beginning on or after January 1, 2001, and
17 ending on or before December 31, 2005, and for the period beginning
18 January 1, 2006, through June 30, 2006, the credit shall be in the
19 amount of ninety-five cents (\$0.95) per ton and for the period of
20 July 1, 2006, through December 31, 2006, and for tax years beginning
21 on or after January 1, 2007, the credit shall be in the amount of
22 Five Dollars (\$5.00) for each ton of coal mined, produced or
23 extracted in on, under or through a permit in this state by such
24 person.

1 E. In addition to the credit allowed pursuant to the provisions
2 of subsection D of this section and except as otherwise provided in
3 subsection F of this section, for tax years beginning on or after
4 January 1, 2001, and ending on or before December 31, 2005, and for
5 the period of January 1, 2006, through June 30, 2006, there shall be
6 allowed a credit against the tax imposed by Section 1803 or Section
7 2355 of this title or Section 624 or 628 of Title 36 of the Oklahoma
8 Statutes for every person in this state primarily engaged in mining,
9 producing or extracting coal, and holding a valid permit issued by
10 the Oklahoma Department of Mines in the amount of ninety-five cents
11 (\$0.95) per ton for each ton of coal mined, produced or extracted
12 from thin seams in this state by such person; provided, the credit
13 shall not apply to such coal sold to any consumer who purchases at
14 least seven hundred fifty thousand (750,000) tons of Oklahoma-mined
15 coal per year.

16 F. In addition to the credit allowed pursuant to the provisions
17 of subsection D of this section and except as otherwise provided in
18 subsection G of this section, for tax years beginning on or after
19 January 1, 2005, and ending on or before December 31, 2005, and for
20 the period of January 1, 2006, through June 30, 2006, there shall be
21 allowed a credit against the tax imposed by Section 1803 or Section
22 2355 of this title or that portion of the tax imposed by Section 624
23 or 628 of Title 36 of the Oklahoma Statutes, which is actually paid
24 to and placed into the General Revenue Fund, in the amount of

1 ninety-five cents (\$0.95) per ton for each ton of coal mined,
2 produced or extracted from thin seams in this state by such person
3 on or after July 1, 2005.

4 G. The credits provided in subsections D and E of this section
5 shall not be allowed for coal mined, produced or extracted in any
6 month in which the average price of coal is Sixty-eight Dollars
7 (\$68.00) or more per ton, excluding freight charges, as determined
8 by the Tax Commission.

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

1 of the parties to the transfer, the amount of credit being
2 transferred, the year the credit was originally allowed to the
3 transferring person and the tax year or years for which the credit
4 may be claimed. The Tax Commission may promulgate rules to permit
5 verification of the validity and timeliness of a tax credit claimed
6 upon a tax return pursuant to this subsection but shall not
7 promulgate any rules which unduly restrict or hinder the transfers
8 of such tax credit.

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

1 | claimed upon a tax return pursuant to this subsection but shall not
2 | promulgate any rules which unduly restrict or hinder the transfers
3 | of such tax credit.

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

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

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

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

1 ~~Beginning July 1, 2012, the credit authorized by this section may be~~
2 ~~claimed for any event, transaction, investment, expenditure or other~~
3 ~~act occurring on or after July 1, 2012, according to the provisions~~
4 ~~of this section by any taxpayer subject to the tax imposed by~~
5 ~~subsection B of Section 2355 of this title.~~

6 SECTION 9. AMENDATORY 68 O.S. 2011, Section 2357.22, is
7 amended to read as follows:

8 Section 2357.22. A. For tax years beginning before ~~January 1,~~
9 ~~2015~~ January 1, 2013, there shall be allowed a one-time credit
10 against the income tax imposed by Section 2355 of this title. For
11 tax years 2013 and 2014, the one-time credit shall only be allowed
12 for a taxpayer not subject to the tax imposed by subsection B of
13 Section 2355 of this title.

14 1. For investments in qualified clean-burning motor vehicle
15 fuel property placed in service after December 31, 1990; and

16 2. For investments in qualified electric motor vehicle property
17 placed in service after December 31, 1995, and before July 1, 2010.

18 B. As used in this section, "qualified clean-burning motor
19 vehicle fuel property" means:

20 1. Equipment installed to modify a motor vehicle which is
21 propelled by gasoline or diesel fuel so that the vehicle may be
22 propelled by a hydrogen fuel cell, compressed natural gas, liquefied
23 natural gas or liquefied petroleum gas; provided, equipment
24 installed on a vehicle propelled by a hydrogen fuel cell shall only

1 be eligible for tax year 2010. The equipment covered by this
2 paragraph must be new and must not have been previously used to
3 modify or retrofit any vehicle propelled by gasoline or diesel fuel;

4 2. A motor vehicle originally equipped so that the vehicle may
5 be propelled by a hydrogen fuel cell, compressed natural gas,
6 liquefied natural gas or liquefied petroleum gas but only to the
7 extent of the portion of the basis of such motor vehicle which is
8 attributable to the storage of such fuel, the delivery to the engine
9 of such motor vehicle of such fuel, and the exhaust of gases from
10 combustion of such fuel. A motor vehicle originally equipped so
11 that the vehicle may be propelled by a hydrogen fuel cell shall only
12 be eligible for tax year 2010;

13 3. Property, not including a building and its structural
14 components, which is:

15 a. directly related to the delivery of compressed natural
16 gas, liquefied natural gas or liquefied petroleum gas,
17 or hydrogen, for commercial purposes or for a fee or
18 charge, into the fuel tank of a motor vehicle
19 propelled by such fuel including compression equipment
20 and storage tanks for such fuel at the point where
21 such fuel is so delivered but only if such property is
22 not used to deliver such fuel into any other type of
23 storage tank or receptacle and such fuel is not used

24

1 for any purpose other than to propel a motor vehicle,
2 or

3 b. a metered-for-fee, public access recharging system for
4 motor vehicles propelled in whole or in part by
5 electricity. The property covered by this paragraph
6 must be new, and must not have been previously
7 installed or used to refuel vehicles powered by
8 compressed natural gas, liquefied natural gas or
9 liquefied petroleum gas, hydrogen or electricity.

10 Any property covered by this paragraph which is related to the
11 delivery of hydrogen into the fuel tank of a motor vehicle shall
12 only be eligible for tax year 2010; or

13 4. Property which is directly related to the compression and
14 delivery of natural gas from a private home or residence, for
15 noncommercial purposes, into the fuel tank of a motor vehicle
16 propelled by compressed natural gas. The property covered by this
17 paragraph must be new and must not have been previously installed or
18 used to refuel vehicles powered by natural gas.

19 C. As used in this section, "qualified electric motor vehicle
20 property" means a motor vehicle originally equipped to be propelled
21 only by electricity; provided, if a motor vehicle is also equipped
22 with an internal combustion engine, then such vehicle shall be
23 considered "qualified electric motor vehicle property" only to the
24 extent of the portion of the basis of such motor vehicle which is

1 attributable to the propulsion of the vehicle by electricity. The
2 term "qualified electric motor vehicle property" shall not apply to
3 vehicles known as "golf carts", "go-carts" and other motor vehicles
4 which are manufactured principally for use off the streets and
5 highways.

6 D. As used in this section, "motor vehicle" means a motor
7 vehicle originally designed by the manufacturer to operate lawfully
8 and principally on streets and highways.

9 E. The credit provided for in subsection A of this section
10 shall be as follows:

11 1. For the qualified clean-burning motor vehicle fuel property
12 defined in paragraph 1 or 2 of subsection B of this section and for
13 the qualified electric motor vehicle property, fifty percent (50%)
14 of the cost of the qualified clean-burning motor vehicle fuel
15 property or qualified electric motor vehicle property;

16 2. For qualified clean-burning motor vehicle fuel property
17 defined in paragraph 3 of subsection B of this section, a per-
18 location credit of seventy-five percent (75%) of the cost of the
19 qualified clean-burning motor vehicle fuel property; and

20 3. For qualified clean-burning motor vehicle fuel property
21 defined in paragraph 4 of subsection B of this section, a per-
22 location credit of the lesser of fifty percent (50%) of the cost of
23 the qualified clean-burning motor vehicle fuel property or Two
24 Thousand Five Hundred Dollars (\$2,500.00).

1 F. In cases where no credit has been claimed pursuant to
2 paragraph 1 of subsection E of this section by any prior owner and
3 in which a motor vehicle is purchased by a taxpayer with qualified
4 clean-burning motor vehicle fuel property or qualified electric
5 motor vehicle property installed by the manufacturer of such motor
6 vehicle and the taxpayer is unable or elects not to determine the
7 exact basis which is attributable to such property, the taxpayer may
8 claim a credit in an amount not exceeding the lesser of ten percent
9 (10%) of the cost of the motor vehicle or One Thousand Five Hundred
10 Dollars (\$1,500.00).

11 G. If the tax credit allowed pursuant to subsection A of this
12 section exceeds the amount of income taxes due or if there are no
13 state income taxes due on the income of the taxpayer, the amount of
14 the credit not used as an offset against the income taxes of a
15 taxable year may be carried forward as a credit against subsequent
16 income tax liability for a period not to exceed five (5) years.

17 H. A husband and wife who file separate returns for a taxable
18 year in which they could have filed a joint return may each claim
19 only one-half (1/2) of the tax credit that would have been allowed
20 for a joint return.

21 I. The Oklahoma Tax Commission is herein empowered to
22 promulgate rules by which the purpose of this section shall be
23 administered, including the power to establish and enforce penalties
24 for violations thereof.

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

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

17 B. For calendar year 2006, and all subsequent years, the credit
18 percentage, not to exceed thirty percent (30%), shall be adjusted
19 annually so that the total estimate of credits does not exceed Two
20 Million Dollars (\$2,000,000.00) annually. The formula to be used
21 for the percentage adjustment shall be thirty percent (30%) times
22 Two Million Dollars (\$2,000,000.00) divided by the credits claimed
23 in the preceding year. In no event shall the credit be claimed more
24 than once by a taxpayer each taxable year.

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

6 D. The credits authorized by this act may only be claimed for
7 taxable years beginning after December 31, 2006, and ending before
8 January 1, 2010. The provisions of this subsection shall not be
9 applicable to any credits earned, but not utilized, prior to ~~the~~
10 ~~effective date of this act~~ January 1, 2006.

11 E. If the credit allowed pursuant to this section exceeds the
12 amount of state income taxes due or if there are no state income
13 taxes due on the income of the taxpayer, the amount of credit
14 allowed but not used in any taxable year may be carried forward as a
15 credit against subsequent income tax liability for a period not
16 exceeding six (6) years following the year in which the investment
17 was originally made.

18 F. The Oklahoma Tax Commission shall have the authority to
19 prescribe forms for purposes of claiming the credit authorized by
20 this section. The Oklahoma Tax Commission shall be authorized to
21 conduct an investigation of the relevant facts as may be required in
22 order to verify the eligibility of a claimant to receive a credit
23 for any applicable income tax year.

1 G. 1. For any taxable year during which a taxpayer sells or
2 otherwise disposes of the ownership interest for which a tax credit
3 has previously been allowed to the taxpayer or for which a tax
4 credit will be allowed to the taxpayer for the year in which the
5 sale or other disposition of the ownership interest is made, the
6 taxpayer shall be required to reduce the cost of the ownership
7 interest in the Oklahoma producer-owned agricultural processing
8 cooperative, venture, or marketing association, as reported upon the
9 applicable income tax return, by the amount of the tax credit which
10 has previously been granted or for which the taxpayer is claiming
11 credit if the credit is allowable for the year during which the sale
12 or other disposition is made.

13 2. If a taxpayer sells or otherwise disposes of an ownership
14 interest in the Oklahoma producer-owned agricultural processing
15 cooperative, venture, or marketing association for which the tax
16 credit authorized by this section may be taken in a taxable year
17 following the year in which the ownership interest in the Oklahoma
18 producer-owned agricultural processing cooperative, venture, or
19 marketing association is sold or otherwise disposed of, the credit
20 authorized by this section shall be reduced to account for the prior
21 sale or other disposition.

22 H. The tax credit authorized by this section shall not be
23 available or taken for any calendar year during which the claimant
24

1 of the credit received any incentive payments pursuant to the
2 Oklahoma Quality Jobs Program Act or the Saving Quality Jobs Act.

3 I. As used in this section:

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

8 2. "Oklahoma producer-owned agricultural processing
9 cooperative" means a legal entity in the nature of a partnership or
10 business undertaking agricultural transactions or agricultural
11 commercial enterprises for mutual profit which are owned and
12 controlled by Oklahoma agricultural producers. An Oklahoma
13 producer-owned agricultural processing cooperative requires a
14 community of interest in the performance of the undertaking,
15 transaction or enterprise, a right to direct and govern the policy
16 in connection therewith and the duty, which may be altered by
17 agreement, to share both in profit and losses. The term does not
18 include a cooperative that provides only, and nothing more than,
19 storage, cleaning, or transportation of agricultural commodities;

20 3. "Oklahoma producer-owned agricultural processing venture"
21 means a legal entity in the nature of a corporation or company
22 organized to invest in or operate an agricultural commodity
23 processing facility operated primarily for the processing or
24 production of marketable products from agricultural commodities.

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

7 4. "Oklahoma producer-owned agricultural processing marketing
8 association" means:

9 a. a legal entity owned by Oklahoma producers of
10 agricultural commodities and organized to jointly
11 market agricultural commodities and/or natural-
12 resource-based recreational activities, facilitate the
13 marketing process and to promote and stimulate the
14 processing, sales, and marketing of agricultural
15 commodities, or

16 b. a legal entity owned by Oklahoma producers of
17 agricultural commodities and organized for collective
18 marketing and improvement of land for natural-
19 resource-based recreational activity;

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

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

1 6. "Oklahoma-based corporation or partnership" means an entity
2 created pursuant to the Oklahoma General Corporation Act or other
3 laws of the state authorizing either a corporate entity or an entity
4 with limited liability or any form of partnership, whether general,
5 limited or other authorized partnership form having either its
6 principal place of business within the state or substantial assets
7 located within the state. For the purpose of this section, the
8 definition contained in this paragraph shall not include an
9 Oklahoma-based corporation or partnership that engages only in and
10 nothing more than the storage, cleaning, and transportation or
11 production of its commodity;

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

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

1 J. For purposes of this section, an agricultural commodity
2 shall be deemed to be produced within this state if it is
3 substantially produced, by any person, partnership, company,
4 association or corporation:

5 1. Authorized to do and doing business under the laws of this
6 state;

7 2. Paying all taxes duly assessed; and

8 3. Domiciled within this state by having a location of
9 production within this state.

10 K. No credit otherwise authorized by the provisions of this
11 section may be claimed for any event, transaction, investment,
12 expenditure or other act occurring on or after July 1, 2010, ~~for~~
13 ~~which the credit would otherwise be allowable. The provisions of~~
14 ~~this subsection shall cease to be operative on July 1, 2012.~~
15 ~~Beginning July 1, 2012, the credit authorized by this section may be~~
16 ~~claimed for any event, transaction, investment, expenditure or other~~
17 ~~act occurring on or after July 1, 2012, according to the provisions~~
18 ~~of this section~~ by any taxpayer subject to the tax imposed by
19 subsection B of Section 2355 of this title.

20 SECTION 11. AMENDATORY 68 O.S. 2011, Section 2357.26, is
21 amended to read as follows:

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

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

3 B. As used in this section:

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

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

10 (1) child care center, or

11 (2) family child care home,

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

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

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

18 e. expanding a child care center,

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

22 g. purchasing child care slots actually provided or
23 reserved for children of employees, or
24

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

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

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

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

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

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

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

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

24

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

6 G. No credit otherwise authorized by the provisions of this
7 section may be claimed for any event, transaction, investment,
8 expenditure or other act occurring on or after July 1, 2010, ~~for~~
9 ~~which the credit would otherwise be allowable. The provisions of~~
10 ~~this subsection shall cease to be operative on July 1, 2012.~~
11 ~~Beginning July 1, 2012, the credit authorized by this section may be~~
12 ~~claimed for any event, transaction, investment, expenditure or other~~
13 ~~act occurring on or after July 1, 2012, according to the provisions~~
14 ~~of this section~~ by any taxpayer subject to the tax imposed by
15 subsection B of Section 2355 of this title.

16 SECTION 12. AMENDATORY 68 O.S. 2011, Section 2357.27, is
17 amended to read as follows:

18 Section 2357.27. A. Except as otherwise provided by subsection
19 E of this section, for tax years beginning after December 31, 1998
20 there shall be allowed a credit against the tax imposed by Section
21 2355 of this title for eligible expenses incurred by entities
22 primarily engaged in the business of providing child care services.

23 B. As used in this section, "eligible expenses" means amounts
24 paid by an entity primarily engaged in the business of providing

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

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

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

13 E. No credit otherwise authorized by the provisions of this
14 section may be claimed for any event, transaction, investment,
15 expenditure or other act occurring on or after July 1, 2010, ~~for~~
16 ~~which the credit would otherwise be allowable. The provisions of~~
17 ~~this subsection shall cease to be operative on July 1, 2012.~~
18 ~~Beginning July 1, 2012, the credit authorized by this section may be~~
19 ~~claimed for any event, transaction, investment, expenditure or other~~
20 ~~act occurring on or after July 1, 2012, according to the provisions~~
21 ~~of this section~~ by any taxpayer subject to the tax imposed by
22 subsection B of Section 2355 of this title.

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

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

6 B. Except as otherwise provided in subsection E of this
7 section, for taxable years beginning after December 31, 1998, every
8 small business operating within this state shall be entitled to
9 claim as a credit against the tax imposed by Section 2355 of ~~Title~~
10 ~~68 of the Oklahoma Statutes~~ this title, subject to the limitations
11 provided by subsection C of this section, any amount paid to the
12 U.S. Small Business Administration as a guaranty fee pursuant to the
13 obtaining of financing guaranteed by the Small Business
14 Administration.

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

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

10 E. No credit otherwise authorized by the provisions of this
11 section may be claimed for any event, transaction, investment,
12 expenditure or other act occurring on or after July 1, 2010, ~~for~~
13 ~~which the credit would otherwise be allowable. The provisions of~~
14 ~~this subsection shall cease to be operative on July 1, 2012.~~
15 ~~Beginning July 1, 2012, the credit authorized by this section may be~~
16 ~~claimed for any event, transaction, investment, expenditure or other~~
17 ~~act occurring on or after July 1, 2012, according to the provisions~~
18 ~~of this section~~ by any taxpayer subject to the tax imposed by
19 subsection B of Section 2355 of this title.

20 SECTION 14. AMENDATORY 68 O.S. 2011, Section 2357.32A,
21 is amended to read as follows:

22 Section 2357.32A. A. Except as otherwise provided in
23 subsection H of this section, for tax years beginning on or after
24 January 1, 2003, there shall be allowed a credit against the tax

1 imposed by Section 2355 of this title to a taxpayer for the
2 taxpayer's production and sale to an unrelated person of electricity
3 generated by zero-emission facilities located in this state. As
4 used in this section:

5 1. "Electricity generated by zero-emission facilities" means
6 electricity that is exclusively produced by any facility located in
7 this state with a rated production capacity of one megawatt (1 mw)
8 or greater, constructed for the generation of electricity and placed
9 in operation after June 4, 2001, which utilizes eligible renewable
10 resources as its fuel source. The construction and operation of
11 such facilities shall result in no pollution or emissions that are
12 or may be harmful to the environment, pursuant to a determination by
13 the Department of Environmental Quality; and

14 2. "Eligible renewable resources" means resources derived from:
15 a. wind,
16 b. moving water,
17 c. sun, or
18 d. geothermal energy.

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

1 1, 2004, but prior to January 1, 2007, the amount of the credit
2 shall be fifty one hundredths of one cent (\$0.0050) per kilowatt-
3 hour for electricity generated by zero-emission facilities. For
4 electricity generated on or after January 1, 2007, but prior to
5 January 1, 2012, the amount of the credit shall be twenty-five one
6 hundredths of one cent (\$0.0025) per kilowatt-hour of electricity
7 generated by zero-emission facilities. For facilities placed in
8 operation on or after January 1, 2007, and before January 1, 2016,
9 for the electricity generated by these facilities the amount of the
10 credit shall be fifty one hundredths of one cent (\$0.0050) for each
11 kilowatt-hour of electricity generated by zero-emission facilities.

12 C. Credits may be claimed with respect to electricity generated
13 on or after January 1, 2003, during a ten-year period following the
14 date that the facility is placed in operation on or after June 4,
15 2001.

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

22 E. Any nontaxable entities, including agencies of the State of
23 Oklahoma or political subdivisions thereof, shall be eligible to
24 establish a transferable tax credit in the amount provided in

1 subsection B of this section. Such tax credit shall be a property
2 right available to a state agency or political subdivision of this
3 state to transfer or sell to a taxable entity, whether individual or
4 corporate, who shall have an actual or anticipated income tax
5 liability under Section 2355 of this title. These tax credit
6 provisions are authorized as an incentive to the State of Oklahoma,
7 its agencies and political subdivisions to encourage the expenditure
8 of funds in the development, construction and utilization of
9 electricity from zero-emission facilities as defined in subsection A
10 of this section.

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

1 or social security number of the parties to the transfer, the amount
2 of the credit being transferred, the year the credit was originally
3 allowed to the transferor, and the tax year or years for which the
4 credit may be claimed. The Tax Commission may promulgate rules to
5 permit verification of the validity and timeliness of the tax credit
6 claimed upon a tax return pursuant to this subsection but shall not
7 promulgate any rules that unduly restrict or hinder the transfers of
8 such tax credit. The tax credit allowed by this section, upon the
9 election of the taxpayer, may be claimed as a payment of tax, a
10 prepayment of tax or a payment of estimated tax for purposes of
11 Section 1803 or Section 2355 of this title.

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

18 H. No credit otherwise authorized by the provisions of this
19 section may be claimed for any event, transaction, investment,
20 expenditure or other act occurring on or after July 1, 2010, ~~for~~
21 ~~which the credit would otherwise be allowable until the provisions~~
22 ~~of this subsection shall cease to be operative on July 1, 2011.~~
23 ~~Beginning July 1, 2011, the credit authorized by this section may be~~
24 ~~claimed for any event, transaction, investment, expenditure or other~~

1 ~~act occurring on or after July 1, 2010, according to the provisions~~
2 ~~of this section. except as provided in this subsection:~~

3 1. Any tax credits which accrue during the period of July 1,
4 2010, through June 30, 2011, may not be claimed for any period prior
5 to the taxable year beginning January 1, 2012. No credits which
6 accrue during the period of July 1, 2010, through June 30, 2011, may
7 be used to file an amended tax return for any taxable year prior to
8 the taxable year beginning January 1, 2012;

9 2. Any tax credits which accrue during the period of July 1,
10 2011, through June 30, 2012, may be claimed as provided in
11 subsections A through G of this section; and

12 3. Any tax credits which accrue during the period beginning on
13 or after July 1, 2012, shall not be allowed for any taxpayer subject
14 to the tax imposed by subsection B of Section 2355 of this title.

15 SECTION 15. AMENDATORY 68 O.S. 2011, Section 2357.32B,
16 is amended to read as follows:

17 Section 2357.32B. A. Except as otherwise provided by
18 subsection G of this section, for tax years beginning on or after
19 January 1, 2003, and ending on or before December 31, 2012, there
20 shall be allowed a credit against the tax imposed by Section 624 or
21 628 of Title 36 of the Oklahoma Statutes, and actually paid to and
22 placed into the General Revenue Fund, or Section 2370 or 2355 of
23 this title to Oklahoma manufacturers of advanced small wind
24 turbines. As used in this section:

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

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

7 a. have a rated capacity of at least one kilowatt (1 kw)
8 but not greater than fifty kilowatts (50 kw),

9 b. incorporate advanced technologies such as new
10 airfoils, new generators, and new power electronics,
11 variable speed,

12 c. at least one unit of each model has undergone testing
13 at the US-DOE National Wind Technology Center, and

14 d. comply with appropriate interconnection safety
15 standards of the Institute of Electrical and
16 Electronics Engineers applicable to small wind
17 turbines.

18 B. The amount of the credit shall be based on the square
19 footage of rotor swept area of advanced small wind turbines
20 manufactured in this state. The amount of the credit shall be
21 Twenty-five Dollars (\$25.00) per square foot produced in calendar
22 year 2003, Twelve Dollars and fifty cents (\$12.50) per square foot
23 produced in calendar year 2004, and Twenty-five Dollars (\$25.00) per
24 square foot produced in calendar years 2005 through 2012.

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

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

13 E. The amount of the credit allowed but not used shall be
14 freely transferable at any time during the ten (10) years following
15 the year of qualification. Any person to whom or to which a tax
16 credit is transferred shall have only such rights to claim and use
17 the credit under the terms that would have applied to the entity by
18 whom or by which the tax credit was transferred. The provisions of
19 this subsection shall not limit the ability of a tax credit
20 transferee to reduce the tax liability of the transferee regardless
21 of the actual tax liability of the tax credit transferor for the
22 relevant taxable period. The transferor originally allowed the
23 credit and the subsequent transferee shall jointly file a copy of
24 the written credit transfer agreement with the Tax Commission within

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

10 F. For advanced small wind turbines produced in a calendar
11 year, the tax credit allowed by the provisions of this section, upon
12 election of the taxpayer, shall be treated and may be claimed as a
13 payment of tax, a prepayment of tax or a payment of estimated tax
14 for purposes of Section 624 or 628 of Title 36 of the Oklahoma
15 Statutes, and actually paid to and placed into the General Revenue
16 Fund, or Section 2370 or 2355 of this title on or after July 1 of
17 the following calendar year.

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

1 ~~act occurring on or after July 1, 2012, according to the provisions~~
2 ~~of this section~~ by any taxpayer subject to the tax imposed by
3 subsection B of Section 2355 of this title.

4 SECTION 16. AMENDATORY 68 O.S. 2011, Section 2357.33, is
5 amended to read as follows:

6 Section 2357.33. A. Except as otherwise provided by subsection
7 E of this section, for taxable years beginning after December 31,
8 1999, there shall be allowed a credit against the tax imposed by
9 Section 2355 of this title for amounts paid by a taxpayer operating
10 one or more food service establishments for immunizations against
11 Hepatitis A for employees of the taxpayer who work in such
12 establishments.

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

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

22 D. The credit provided by this section shall be available to
23 the taxpayer in the tax year in which an employee was immunized and
24

1 shall not carry forward to subsequent tax years. Such credit shall
2 not be refunded to the taxpayer.

3 E. No credit otherwise authorized by the provisions of this
4 section may be claimed for any event, transaction, investment,
5 expenditure or other act occurring on or after July 1, 2010, ~~for~~
6 ~~which the credit would otherwise be allowable. The provisions of~~
7 ~~this subsection shall cease to be operative on July 1, 2012.~~
8 ~~Beginning July 1, 2012, the credit authorized by this section may be~~
9 ~~claimed for any event, transaction, investment, expenditure or other~~
10 ~~act occurring on or after July 1, 2012, according to the provisions~~
11 ~~of this section~~ by any taxpayer subject to the tax imposed by
12 subsection B of Section 2355 of this title.

13 SECTION 17. AMENDATORY 68 O.S. 2011, Section 2357.41, is
14 amended to read as follows:

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

1 expenditures incurred after January 1, 2006, in connection with any
2 certified historic structure.

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

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

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

20 E. All rehabilitation work to which the credit may be applied
21 shall be reviewed by the State Historic Preservation Office which
22 will in turn forward the information to the National Park Service
23 for certification in accordance with 36 C.F.R., Part 67. A
24 certified historic structure may be rehabilitated for any lawful use

1 or uses, including without limitation mixed uses and still retain
2 eligibility for the credit provided for in this section.

3 F. The amount of the credit allowed for any credit claimed for
4 a certified historic hotel or historic newspaper plant building or
5 any certified historic structure, but not used, shall be freely
6 transferable, in whole or in part, to subsequent transferees at any
7 time during the five (5) years following the year of qualification.
8 Any person to whom or to which a tax credit is transferred shall
9 have only such rights to claim and use the credit under the terms
10 that would have applied to the entity by whom or by which the tax
11 credit was transferred. The provisions of this subsection shall not
12 limit the ability of a tax credit transferee to reduce the tax
13 liability of the transferee regardless of the actual tax liability
14 of the tax credit transferor for the relevant taxable period. The
15 transferor of the credit and the transferee shall jointly file a
16 copy of the written credit transfer agreement with the Oklahoma Tax
17 Commission within thirty (30) days of the transfer. Such filing of
18 the written credit transfer agreement with the Oklahoma Tax
19 Commission shall perfect such transfer. The written agreement shall
20 contain the name, address and taxpayer identification number of the
21 parties to the transfer, the amount of credit being transferred, the
22 year the credit was originally allowed to the transferor, the tax
23 year or years for which the credit may be claimed, and a
24 representation by the transferor that the transferor has neither

1 claimed for its own behalf nor conveyed such credits to any other
2 transferee. The Tax Commission shall develop a standard form for
3 use by subsequent transferees of the credit demonstrating
4 eligibility for the transferee to reduce its applicable tax
5 liabilities resulting from ownership of the credit. The Tax
6 Commission shall develop a system to record and track the transfers
7 of the credit and certify the ownership of the credit and may
8 promulgate rules to permit verification of the validity and
9 timeliness of a tax credit claimed upon a tax return pursuant to
10 this subsection but shall not promulgate any rules which unduly
11 restrict or hinder the transfers of such tax credit.

12 G. Notwithstanding any other provisions in this section, on or
13 after January 1, 2009, if a credit allowed pursuant to this section
14 which has been transferred is subsequently reduced as the result of
15 an adjustment by the Internal Revenue Service, Tax Commission, or
16 any other applicable government agency, only the transferor
17 originally allowed the credit and not any subsequent transferee of
18 the credit, shall be held liable to repay any amount of disallowed
19 credit.

20 H. As used in this section:

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

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

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

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

1 credit authorized by this section may be claimed for any event,
2 transaction, investment, expenditure or other act ~~occurring on or~~
3 ~~after July 1, 2010, according to the provisions of this section.~~ as
4 follows:

5 1. Any tax credits which accrue during the period of July 1,
6 2010, through June 30, 2012, may not be claimed for any period prior
7 to the taxable year beginning January 1, 2012. No credits which
8 accrue during the period of July 1, 2010, through June 30, 2012, may
9 be used to file an amended tax return for any taxable year prior to
10 the taxable year beginning January 1, 2012; and

11 2. Any credits accrued on or after July 1, 2012, shall not be
12 allowed for any taxpayer subject to the tax imposed by subsection B
13 of Section 2355 of this title.

14 SECTION 18. AMENDATORY 68 O.S. 2011, Section 2357.45, is
15 amended to read as follows:

16 Section 2357.45. A. 1. For tax years beginning after December
17 31, 2004, and ending before January 1, 2013, there shall be allowed
18 against the tax imposed by Section 2355 of this title, a credit for
19 any taxpayer who makes a donation to an independent biomedical
20 research institute and for tax years beginning after December 31,
21 2010, and ending before January 1, 2013, a credit for any taxpayer
22 who makes a donation to a cancer research institute. For tax years
23 beginning on or after January 1, 2013, the credits provided for in

24

1 this subsection shall not be allowed for any taxpayer subject to the
2 tax imposed by subsection B of Section 2355 of this title.

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

5 a. for calendar year 2007 and all subsequent years, the
6 credit percentage, not to exceed fifty percent (50%),
7 shall be adjusted annually so that the total estimate
8 of the credits does not exceed Two Million Dollars
9 (\$2,000,000.00) annually. The formula to be used for
10 the percentage adjusted shall be fifty percent (50%)
11 times One Million Dollars (\$1,000,000.00) divided by
12 the credits claimed in the preceding year for each
13 donation to an independent biomedical research
14 institute and fifty percent (50%) times One Million
15 Dollars (\$1,000,000.00) divided by the credits claimed
16 in the preceding year for each donation to a cancer
17 research institute,

18 b. in no event shall a taxpayer claim more than one
19 credit for a donation to any independent biomedical
20 research institute and one credit for a donation to a
21 cancer research institute in each taxable year nor
22 shall the credit exceed One Thousand Dollars
23 (\$1,000.00) for each taxpayer for each type of
24 donation,

- 1 c. for tax year 2011, no more than Fifty Thousand Dollars
2 (\$50,000.00) in total tax credits for donations to a
3 cancer research institute shall be allowed,
- 4 d. in no event shall more than fifty percent (50%) of the
5 Two Million Dollars (\$2,000,000.00) in total tax
6 credits authorized by this section, for any calendar
7 year ~~after the effective date of this act~~ beginning on
8 or after January 1, 2011, be allocated for credits for
9 donations to a cancer research institute, and
- 10 e. in the event the total tax credits authorized by this
11 section exceed One Million Dollars (\$1,000,000.00) in
12 any calendar year for either a cancer research
13 institute or an independent biomedical research
14 institute, the Oklahoma Tax Commission shall permit
15 any excess over One Million Dollars (\$1,000,000.00)
16 but shall factor such excess into the percentage
17 adjustment formula for subsequent years for that type
18 of donation. However, any such adjustment to the
19 formula for donations to an independent biomedical
20 research institute shall not affect the formula for
21 donations to a cancer research institute, and any such
22 adjustment to the formula for donations to a cancer
23 research institute shall not affect the formula for
24

1 donations to an independent biomedical research
2 institute.

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

- 9 a. have a board of directors,
- 10 b. be able to accept grants in its own name,
- 11 c. be an identifiable institute that has its own
12 employees and administrative staff, and
- 13 d. receive at least Fifteen Million Dollars
14 (\$15,000,000.00) in National Institute of Health
15 funding each year.

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

1 organization whose primary focus is raising the standard of cancer
2 clinical care in Oklahoma through peer-reviewed cancer research and
3 education shall:

4 a. either be an independent research institute or a
5 program that is part of a state university which is a
6 member of The Oklahoma State System of Higher
7 Education, and

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

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

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

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

18 SECTION 19. AMENDATORY 68 O.S. 2011, Section 2357.46, is
19 amended to read as follows:

20 Section 2357.46. A. Except as otherwise provided by subsection
21 G of this section, for tax years beginning after December 31, 2005,
22 there shall be allowed a credit against the tax imposed by Section
23 2355 of ~~Title 68 of the Oklahoma Statutes~~ this title for eligible
24 expenditures incurred by a contractor in the construction of energy

1 efficient residential property of two thousand (2,000) square feet
2 or less. The amount of the credit shall be based upon the
3 following:

4 1. For any eligible energy efficient residential property
5 constructed and certified as forty percent (40%) or more above the
6 International Energy Conservation Code 2003 and any supplement in
7 effect at the time of completion, the amount of the credit shall be
8 equal to the eligible expenses, not to exceed Four Thousand Dollars
9 (\$4,000.00) for the taxpayer who is the contractor; and

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

17 B. As used in this section:

18 1. "Eligible expenditure" means any:

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

1 d. exterior doors, and

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

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

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

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

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

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

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

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

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

18 (1) a level of annual heating and cooling energy
19 consumption which is between twenty percent (20%)
20 and thirty-nine percent (39%) below the annual
21 level of heating and cooling energy consumption
22 of a comparable residential property constructed
23 in accordance with the standards of Chapter 4 of
24 the 2003 International Energy Conservation Code,

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

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

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

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

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

1 E. For credits earned on or after ~~the effective date of this~~
2 ~~act~~ May 26, 2006, the credits authorized by this section shall be
3 freely transferable to subsequent transferees.

4 F. The Oklahoma Tax Commission shall promulgate rules necessary
5 to implement this act.

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

11 ~~Beginning July 1, 2012, the credit authorized by this section may be~~
12 ~~claimed for any event, transaction, investment, expenditure or other~~
13 ~~act occurring on or after July 1, 2012, according to the provisions~~
14 ~~of this section~~ by any taxpayer subject to the tax imposed by
15 subsection B of Section 2355 of this title.

16 SECTION 20. AMENDATORY 68 O.S. 2011, Section 2357.47, is
17 amended to read as follows:

18 Section 2357.47. A. 1. Except as otherwise provided in
19 subsection D of this section, for tax years beginning after December
20 31, 2005, there shall be allowed against the tax imposed by Section
21 2355 of this title, a credit for eligible wages paid by an employer
22 to an employee. The amount of the credit shall be ten percent (10%)
23 of the amount of the gross wages paid to the employee for a period
24 not to exceed ninety (90) days but in no event shall the credit

1 exceed Five Thousand Dollars (\$5,000.00) for each employee of each
2 taxpayer. In no event shall the total credit claimed exceed Twenty-
3 five Thousand Dollars (\$25,000.00) in any one year for any taxpayer.

4 2. Except as otherwise provided by subsection D of this
5 section, for tax years beginning after December 31, 2005, there
6 shall be allowed against the tax imposed by Section 2355 of this
7 title, a credit for eligible modification expenses of an employer.
8 The amount of the credit shall be fifty percent (50%) of the amount
9 of the funds expended for eligible modification expenses or new
10 tools or equipment but in no event shall the credit exceed One
11 Thousand Dollars (\$1,000.00) for eligible modification expenses
12 incurred for any single employee. In no event shall the total
13 credit claimed exceed Ten Thousand Dollars (\$10,000.00) in any year
14 for any taxpayer.

15 3. As used in this section:

- 16 a. "employee", "employer", "maximum medical improvement",
17 "treating physician", and "wages" shall be defined as
18 in Section 3 of Title 85 of the Oklahoma Statutes,
19 b. "eligible wages" means gross wages paid by an employer
20 to an employee who is injured as a result of an injury
21 which is compensable under the Workers' Compensation
22 Act and which are paid beginning when the employee
23 returns to work with restricted duties as provided by
24 the employee's treating physician or an independent

1 medical examiner before the employee has reached
2 maximum medical improvement, and ending after ninety
3 (90) days or when the employee has reached maximum
4 medical improvement, and

5 c. "eligible modification expenses" means expenses
6 incurred by an employer to modify a workplace, tools
7 or equipment or to obtain new tools or equipment and
8 which are incurred by an employer solely to enable a
9 specific injured employee who is injured as a result
10 of an injury which is compensable under the Workers'
11 Compensation Act to return to work with restricted
12 duties as provided by the employee's treating
13 physician or an independent medical examiner before
14 the employee has reached maximum medical improvement,
15 and which workplace, tools or equipment are used
16 primarily by the injured employee.

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

19 C. The Oklahoma Tax Commission shall have the authority to
20 promulgate rules necessary to effectuate the purposes of this
21 section.

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

1 ~~which the credit would otherwise be allowable. The provisions of~~
2 ~~this subsection shall cease to be operative on July 1, 2012.~~
3 ~~Beginning July 1, 2012, the credit authorized by this section may be~~
4 ~~claimed for any event, transaction, investment, expenditure or other~~
5 ~~act occurring on or after July 1, 2012, according to the provisions~~
6 ~~of this section by any taxpayer subject to the tax imposed by~~
7 ~~subsection B of Section 2355 of this title.~~

8 SECTION 21. AMENDATORY 68 O.S. 2011, Section 2357.59, is
9 amended to read as follows:

10 Section 2357.59. A. Except as otherwise provided by subsection
11 F of this section, if any person, firm, corporation, partnership or
12 other legal entity has made application or filed an information
13 report on forms prescribed by the Oklahoma Tax Commission to receive
14 a credit against the tax imposed by Section 2355 of this title or
15 Section 624 of Title 36 of the Oklahoma Statutes pursuant to the
16 provisions of Sections 2357.23, 2357.51, 2357.52, 2357.53, 2357.54,
17 2357.55, 2357.56, 2357.57 or 2357.58 of this title on or before July
18 1, 1993, such credit may be received notwithstanding the provisions
19 of Section 51 of Senate Bill No. 459 of the 1st Session of the 44th
20 Oklahoma Legislature or that the other requirements for allowance of
21 such credit are not established until after July 1, 1993.

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

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

1 removed from the waste stream and incorporated into the finished
2 product by any means or method.

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

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

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

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

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

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

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

7 F. No credit otherwise authorized by the provisions of this
8 section may be claimed for any event, transaction, investment,
9 expenditure or other act occurring on or after July 1, 2010, ~~for~~
10 ~~which the credit would otherwise be allowable. The provisions of~~
11 ~~this subsection shall cease to be operative on July 1, 2012.~~
12 ~~Beginning July 1, 2012, the credit authorized by this section may be~~
13 ~~claimed for any event, transaction, investment, expenditure or other~~
14 ~~act occurring on or after July 1, 2012, according to the provisions~~
15 ~~of this section~~ by any taxpayer subject to the tax imposed by
16 subsection B of Section 2355 of this title.

17 SECTION 22. AMENDATORY 68 O.S. 2011, Section 2357.81, is
18 amended to read as follows:

19 Section 2357.81. A. Subject to the limitation imposed pursuant
20 to subsection C of Section 842 of Title 62 of the Oklahoma Statutes
21 and except as otherwise provided by subsection F of this section,
22 for taxable years beginning after December 31, 2000, there shall be
23 allowed as a credit against the tax imposed pursuant to Section 2355
24 of ~~Title 68 of the Oklahoma Statutes~~ this title, an amount equal to

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

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

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

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

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

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

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

1 ~~claimed for any event, transaction, investment, expenditure or other~~
2 ~~act occurring on or after July 1, 2012, according to the provisions~~
3 ~~of this section~~ by any taxpayer subject to the tax imposed by
4 subsection B of Section 2355 of this title.

5 SECTION 23. AMENDATORY 68 O.S. 2011, Section 2357.100,
6 is amended to read as follows:

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

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

23 C. 1. The total of the credits authorized by this section
24 shall not exceed Three Hundred Seventy-five Thousand Dollars

1 (\$375,000.00) annually. The amount of the credit for each purchaser
2 shall be adjusted annually so that the total estimate of the credits
3 authorized by this section does not exceed Three Hundred Seventy-
4 five Thousand Dollars (\$375,000.00). The formula to be used for the
5 percentage adjustment shall be Three Hundred Seventy-five Thousand
6 Dollars (\$375,000.00) divided by the credits claimed in the
7 preceding year. In no event shall the credit be claimed more than
8 once by a taxpayer each taxable year.

9 2. In the event the total tax credits authorized by this
10 section exceed Three Hundred Seventy-five Thousand Dollars
11 (\$375,000.00) in any calendar year, the Oklahoma Tax Commission
12 shall permit any excess over Three Hundred Seventy-five Thousand
13 Dollars (\$375,000.00) but shall factor such excess into the
14 percentage adjustment formula for subsequent years.

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

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

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

1 3. The poultry litter shall be applied by a certified poultry
2 waste applicator as defined by Section 10-9.1 of Title 2 of the
3 Oklahoma Statutes and in accordance with the provisions of Sections
4 10-9.16 through 10-9.21 of Title 2 of the Oklahoma Statutes and any
5 rules promulgated by the Oklahoma Department of Agriculture, Food,
6 and Forestry.

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

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

1 ~~Beginning July 1, 2012, the credit authorized by this section may be~~
2 ~~claimed for any event, transaction, investment, expenditure or other~~
3 ~~act occurring on or after July 1, 2012, according to the provisions~~
4 ~~of this section by any taxpayer subject to the tax imposed by~~
5 ~~subsection B of Section 2355 of this title.~~

6 SECTION 24. AMENDATORY 68 O.S. 2011, Section 2357.101,
7 is amended to read as follows:

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

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

21 C. The Oklahoma Tax Commission shall have the authority to
22 prescribe forms for purposes of claiming the credit authorized in
23 subsection A of this section. The forms shall include, but not be
24 limited to, requests for information that prove who the investment

1 was with, the amount of the original investment and the amount of
2 the profit realized from the investment.

3 D. As used in this section:

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

15 2. "Music project" means a professional recording released on a
16 national or international level, whether via traditional
17 manufacturing or distributing or electronic distribution, using
18 technology currently in use or future technology including, but not
19 limited to, music CDs, radio commercials, jingles, cues, or
20 electronic device recordings;

21 3. "Production company" means a person who produces a film or
22 music project for exhibition in theaters, on television or
23 elsewhere;

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

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

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

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

- a. the gross revenues less gross expenses, including direct production, distribution and marketing costs and an allocation of indirect overhead costs, of the film or music project shall be multiplied by,
- b. a ratio, the numerator of which is Oklahoma production costs, as defined in paragraph 7 of this subsection,

1 and the denominator of which is total production
2 costs, as defined in paragraph 4 of this subsection,
3 which shall be multiplied by,

4 c. the percent of the taxpayer's taxable income allocated
5 to Oklahoma in a taxable year, and

6 d. subtract from the result of the formula calculated
7 pursuant to subparagraphs a through c of this
8 paragraph the profit made by a taxpayer from
9 investment in an existing Oklahoma film or music
10 project in previous taxable years. Profit shall
11 include either a net profit or net loss;

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

14 8. a. "Qualified vendor" means an Oklahoma entity which
15 provides goods or services to a production company and
16 for which:

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

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

22 b. For purposes of this paragraph, an employee shall
23 include a self-employed individual reporting income
24

1 from a qualified vendor on Internal Revenue Service
2 Form 1040.

3 c. The Oklahoma Tax Commission shall prescribe forms by
4 which an entity may be certified to a production
5 company as a qualified vendor for purposes of this
6 section; and

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

11 E. No credit otherwise authorized by the provisions of this
12 section may be claimed for any event, transaction, investment,
13 expenditure or other act occurring on or after July 1, 2010, ~~for~~
14 ~~which the credit would otherwise be allowable. The provisions of~~
15 ~~this subsection shall cease to be operative on July 1, 2012.~~
16 ~~Beginning July 1, 2012, the credit authorized by this section may be~~
17 ~~claimed for any event, transaction, investment, expenditure or other~~
18 ~~act occurring on or after July 1, 2012, according to the provisions~~
19 ~~of this section~~ by any taxpayer subject to the tax imposed by
20 subsection B of Section 2355 of this title.

21 SECTION 25. AMENDATORY 68 O.S. 2011, Section 2357.102,
22 is amended to read as follows:

23 Section 2357.102. A. Except as otherwise provided by
24 subsection G of this section, for taxable years beginning after

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

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

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

21 2. Each dry fire hydrant must be located within twenty-five
22 (25) feet of an all-weather roadway and must be accessible to fire
23 protection equipment; and
24

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

3 C. In no event shall the amount of the credit exceed the amount
4 of any tax liability of the taxpayer.

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

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

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

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

1 ~~of this section~~ for any taxpayer subject to the tax imposed by
2 subsection B of Section 2355 of this title.

3 SECTION 26. AMENDATORY 68 O.S. 2011, Section 2357.104,
4 is amended to read as follows:

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

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

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

23 C. The credit allowed pursuant to subsection A of this section
24 but not used shall be freely transferable, by written agreement, to

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

24

1 Tax Commission pertaining to the eligibility of the person claiming
2 the credit.

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

7 E. A taxpayer who elects to increase the limitation on the
8 credit under paragraph 2 of subsection B of this section shall not
9 be granted additional credits under subsection A of this section
10 during the period of such election.

11 F. As used in this section:

12 1. "Class II and Class III railroad" means a railroad that is
13 classified by the United States Surface Transportation Board as a
14 Class II or Class III railroad;

15 2. "Eligible taxpayer" means any Class II or Class III
16 railroad; and

17 3. "Qualified railroad reconstruction or replacement
18 expenditures" means expenditures for:

19 a. reconstruction or replacement of railroad
20 infrastructure including track, roadbed, bridges,
21 industrial leads and track-related structures owned or
22 leased by a Class II or Class III railroad as of
23 January 1, 2006, or
24

1 b. new construction of industrial leads, switches, spurs
2 and sidings and extensions of existing sidings by a
3 Class II or Class III railroad.

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

9 ~~Beginning July 1, 2012, the credit authorized by this section may be~~
10 ~~claimed for any event, transaction, investment, expenditure or other~~
11 ~~act occurring on or after July 1, 2012, according to the provisions~~
12 ~~of this section~~ for any taxpayer subject to the tax imposed by
13 subsection B of Section 2355 of this title.

14 SECTION 27. AMENDATORY 68 O.S. 2011, Section 2357.203,
15 is amended to read as follows:

16 Section 2357.203. A. As used in this section:

17 1. "Nonqualified operating expenditures" means labor costs,
18 salary and other compensation, whether direct or indirect, paid to
19 directors, officers, limited liability company members, limited
20 liability company managers, partners or other principals or
21 employees of the business entity;

22 2. "Qualified direct costs" means expenditures, other than
23 nonqualified operating expenditures, to construct dog kennels,
24 fences, pens, training areas for canines, structures for office

1 space or other improvements to real property necessary for the
2 proper training of a specially trained canine, including the cost of
3 food, water, veterinary expenses and other costs directly related to
4 the operation of the training facility; and

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

8 B. Except as provided in subsection F of this section, for
9 taxable years beginning after December 31, 2005, there shall be
10 allowed a credit against the tax imposed pursuant to Section 2355 of
11 ~~Title 68 of the Oklahoma Statutes~~ this title in the amount of fifty
12 percent (50%) of the qualified direct costs associated with the
13 operation of a business enterprise the principal purpose of which is
14 the rearing of specially trained canines.

15 C. The provisions of this section shall not be applicable to
16 nonqualified operating expenditures.

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

22 E. The Oklahoma Tax Commission shall be authorized to prescribe
23 such forms as may be necessary in order to administer the tax credit
24 authorized by this section. The Tax Commission may request such

1 additional documentation as may be required from the taxpayer in
2 order to verify the eligibility for the credit authorized by this
3 section.

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

9 ~~Beginning July 1, 2012, the credit authorized by this section may be~~
10 ~~claimed for any event, transaction, investment, expenditure or other~~
11 ~~act occurring on or after July 1, 2012, according to the provisions~~
12 ~~of this section~~ for any taxpayer subject to the tax imposed by
13 subsection B of Section 2355 of this title.

14 SECTION 28. AMENDATORY 68 O.S. 2011, Section 2357.206,
15 is amended to read as follows:

16 Section 2357.206. A. This act shall be known and may be cited
17 as the "Oklahoma Equal Opportunity Education Scholarship Act".

18 B. 1. Except as provided in subsection E of this section,
19 ~~after the effective date of this act~~ May 16, 2011, there shall be
20 allowed a credit for any taxpayer who makes a contribution to an
21 eligible scholarship-granting organization. The credit shall be
22 equal to fifty percent (50%) of the total amount of contributions
23 made during a taxable year, not to exceed One Thousand Dollars
24 (\$1,000.00) for single individuals, Two Thousand Dollars (\$2,000.00)

1 for married individuals filing jointly, or One Hundred Thousand
2 Dollars (\$100,000.00) for any taxpayer which is a legal business
3 entity including limited and general partnerships, corporations, and
4 limited liability companies; provided, if total credits claimed
5 pursuant to this paragraph exceed the caps established pursuant to
6 paragraph 2 of this subsection, the credit shall be equal to the
7 taxpayer's proportionate share of the cap for the taxable year, as
8 determined pursuant to subsection G of this section.

9 2. a. The total credits authorized by paragraph 1 of this
10 subsection for all single individuals and married
11 individuals filing jointly shall not exceed One
12 Million Seven Hundred Fifty Thousand Dollars
13 (\$1,750,000.00) annually.

14 b. The total credits authorized by paragraph 1 of this
15 subsection for all other taxpayers not subject to
16 subparagraph a of this paragraph shall not exceed One
17 Million Seven Hundred Fifty Thousand Dollars
18 (\$1,750,000.00) annually.

19 c. Each cap on total credits as provided for in this
20 paragraph shall be allocated by the Oklahoma Tax
21 Commission as provided in subsection G of this
22 section.

23 C. 1. Except as provided in subsection E of this section,
24 after ~~the effective date of this act~~ May 16, 2011, there shall be

1 allowed a credit for any taxpayer who makes a contribution to an
2 eligible educational improvement grant organization. The credit
3 shall be equal to fifty percent (50%) of the total amount of
4 contributions made during a taxable year, not to exceed One Thousand
5 Dollars (\$1,000.00) for single individuals, Two Thousand Dollars
6 (\$2,000.00) for married individuals filing jointly, or One Hundred
7 Thousand Dollars (\$100,000.00) for any taxpayer which is a legal
8 business entity including limited and general partnerships,
9 corporations, and limited liability companies; provided, if total
10 credits claimed pursuant to this paragraph exceed the cap
11 established pursuant to paragraph 3 of this subsection, the credit
12 shall be equal to the taxpayer's proportionate share of the cap for
13 the taxable year, as determined pursuant to subsection G of this
14 section.

15 2. For any taxpayer who makes a contribution to an eligible
16 educational improvement grant organization and makes a written
17 commitment to contribute the same amount for two (2) additional
18 consecutive years the credit shall be equal to seventy-five percent
19 (75%) of the total amount of the contribution established in
20 paragraph 1 of this subsection, not to exceed the amounts
21 established in paragraph 1 of this subsection for the taxable year
22 in which the credit provided in this subsection is claimed;
23 provided, if total credits claimed pursuant to this paragraph exceed
24 the cap established pursuant to paragraph 3 of this subsection, the

1 credit shall be equal to the taxpayer's proportionate share of the
2 cap for the taxable year, as determined pursuant to subsection G of
3 this section. The taxpayer shall provide evidence of the written
4 commitment to the Oklahoma Tax Commission at the time of filing the
5 refund claim.

6 3. a. The total credits authorized by paragraph 1 of this
7 subsection for all single individuals, married
8 individuals filing jointly and for all other taxpayers
9 shall not exceed One Million Five Hundred Thousand
10 Dollars (\$1,500,000.00) annually.

11 b. The cap on total credits as provided for in this
12 paragraph shall be allocated by the Oklahoma Tax
13 Commission as provided in subsection G of this
14 section.

15 D. For credits claimed for eligible contributions made during
16 tax year 2014 and thereafter, a credit shall not be allowed by the
17 Oklahoma Tax Commission for contributions made to a scholarship-
18 granting organization or an educational improvement grant
19 organization if that organization's percentage of funds actually
20 awarded is less than ninety percent (90%). For purposes of this
21 section, the "percentage of funds actually awarded" shall be
22 determined by dividing the total amount of funds actually awarded as
23 educational scholarships or educational improvement grants over the
24 most recent twenty-four (24) months by the total amount available to

1 award as educational scholarships or educational improvement grants
2 over the most recent twenty-four (24) months.

3 E. Any tax credits which are earned by a taxpayer pursuant to
4 this section during the time period beginning on ~~the effective date~~
5 ~~of this act~~ May 16, 2011, through December 31, 2012, may not be
6 claimed for any period prior to the taxable year beginning January
7 1, 2013. No credits which accrue during the time period beginning
8 on ~~the effective date of this act~~ May 16, 2011, through December 31,
9 2012, may be used to file an amended tax return for any taxable year
10 prior to the taxable year beginning January 1, 2013. For any tax
11 credits which are earned by a taxpayer during the time period
12 beginning on or after January 1, 2013, the credit provided for
13 pursuant to this section shall not be allowed for any taxpayer
14 subject to the tax imposed by subsection B of Section 2355 of this
15 title.

16 F. As used in this section:

17 1. "Eligible student" means a child of school age who is
18 lawfully present in the United States and who is a member of a
19 household in which the total annual income during the preceding tax
20 year does not exceed an amount equal to three hundred percent (300%)
21 of the income standard used to qualify for a free or reduced school
22 lunch or who, during the immediately preceding school year, attended
23 or, by virtue of the location of such student's place of residence,
24 was eligible to attend a public school in this state which has been

1 identified for school improvement as determined by the State Board
2 of Education pursuant to the requirements of the No Child Left
3 Behind Act of 2001, P.L. No. 107-110. Once a student has received
4 an educational scholarship, as defined in paragraph 3 of this
5 subsection, the student and any siblings who are members of the same
6 household shall remain eligible until they graduate from high school
7 or reach twenty-one (21) years of age, whichever occurs first;

8 2. "Eligible special needs student" means a child of school age
9 who has attended public school in our state with an individualized
10 education program pursuant to the Individuals With Disabilities
11 Education Act, 20 U.S.C.A., Section 1400 et seq.;

12 3. "Educational scholarships" means:

13 a. scholarships to an eligible student of up to Five
14 Thousand Dollars (\$5,000.00) or eighty percent (80%)
15 of the average per-pupil expenditure in the school
16 district where the recipient student resides,
17 whichever is greater, to cover all or part of the
18 tuition, fees and transportation costs of a qualified
19 school which is accredited by the State Board of
20 Education or an accrediting association approved by
21 the Board pursuant to Section 3-104 of Title 70 of the
22 Oklahoma Statutes, or

23 b. scholarships to an eligible special needs student of
24 up to Twenty-five Thousand Dollars (\$25,000.00) to

1 cover all or part of the tuition, fees and
2 transportation costs of a qualified school for
3 eligible special needs students which is accredited by
4 the State Board of Education or an accrediting
5 association approved by the Board pursuant to Section
6 3-104 of Title 70 of the Oklahoma Statutes;

7 4. "Low-income eligible student" means an eligible student or
8 eligible special needs student who qualifies for a free or reduced-
9 price lunch;

10 5. "Qualified school" means an elementary or secondary private
11 school in this state, including schools which provide
12 prekindergarten educational programs for four-year-olds, which:

- 13 a. is accredited by the State Board of Education or an
14 accrediting association approved by the Board pursuant
15 to Section 3-104 of Title 70 of the Oklahoma Statutes,
- 16 b. is in compliance with all applicable health and safety
17 laws and codes,
- 18 c. has a stated policy against discrimination in
19 admissions on the basis of race, color, national
20 origin or disability, and
- 21 d. ensures academic accountability to parents and
22 guardians of students through regular progress
23 reports;

1 6. "Qualified school for eligible special needs students" means
2 an elementary or secondary private school in a county in this state;

3 7. "Scholarship-granting organization" means an organization
4 which:

5 a. is a nonprofit entity exempt from taxation pursuant to
6 the provisions of the Internal Revenue Code, 26

7 U.S.C., Section 501(c)(3),

8 b. distributes periodic scholarship payments as checks
9 made out to an eligible student's or eligible special
10 needs student's parent or guardian and mailed to the
11 qualified school where the student is enrolled,

12 c. spends no more than ten percent (10%) of its annual
13 revenue on expenditures other than educational
14 scholarships as defined in paragraph 3 of this
15 subsection,

16 d. spends each year a portion of its expenditures on
17 educational scholarships for low-income eligible
18 students, as defined in paragraph 4 of this
19 subsection, in an amount equal to or greater than the
20 percentage of low-income eligible students in the
21 state,

22 e. ensures that scholarships are portable during the
23 school year and can be used at any qualified school
24 that accepts the eligible student or at any qualified

1 school for special needs students that accepts the
2 eligible special needs student,

3 f. registers with the Oklahoma Tax Commission as a
4 scholarship-granting organization, and

5 g. has policies in place to:

6 (1) carry out criminal background checks on all
7 employees and board members to ensure that no
8 individual is involved with the organization who
9 might reasonably pose a risk to the appropriate
10 use of contributed funds, and

11 (2) maintain full and accurate records with respect
12 to the receipt of contributions and expenditures
13 of those contributions and supply such records
14 and any other documentation required by the Tax
15 Commission to demonstrate financial
16 accountability;

17 8. "Annual revenue" means the total amount or value of
18 contributions received by an organization from taxpayers awarded
19 credits during the organization's fiscal year and all amounts earned
20 from interest or investments;

21 9. "Public school" means public schools as defined in Section
22 1-106 of Title 70 of the Oklahoma Statutes;

23 10. "Eligible school" means any public school that is not
24 located within a ten-mile radius of a qualified school in this

1 state, or any public school that is located within a ten-mile radius
2 of a qualified school in this state but offers grade-level
3 instruction different from the qualified school or any public school
4 located within a public school district with fewer than four
5 thousand five hundred (4,500) students;

6 11. "Early childhood education program" means a program
7 provided to children who are at least four (4) years of age but not
8 more than five (5) years of age on or before September 1;

9 12. "Innovative educational program" means an advanced academic
10 or academic improvement program that is not part of the regular
11 coursework of a public school but that enhances the curriculum or
12 academic program of the school or provides early childhood education
13 programs to students;

14 13. "Educational improvement grant" means a grant to an
15 eligible public school to implement an innovative educational
16 program for students, including the ability for multiple public
17 schools to make an application and be awarded a grant to jointly
18 provide an innovative educational program; and

19 14. "Educational improvement grant organization" means an
20 organization which:

21 a. is a nonprofit entity exempt from taxation pursuant to
22 the provisions of the Internal Revenue Code, 26
23 U.S.C., Section 501(c)(3), and

24

1 b. contributes at least ninety percent (90%) of its
2 annual receipts as grants to eligible schools for
3 innovative educational programs. For purposes of this
4 subparagraph, an educational improvement grant
5 organization contributes its annual cash receipts when
6 it expends or otherwise irrevocably encumbers those
7 funds for expenditure during the then current fiscal
8 year of the organization or during the next succeeding
9 fiscal year of the organization.

10 G. Total credits authorized by this section shall be allocated
11 as follows:

12 1. By January 10 of the year immediately following each
13 calendar year, a scholarship-granting organization or an educational
14 improvement grant organization which accepts contributions pursuant
15 to this section shall provide electronically to the Tax Commission
16 information on each contribution accepted during such taxable year.
17 At least once each taxable year, the scholarship-granting
18 organization or the educational improvement grant organization shall
19 notify each contributor that Oklahoma law provides for a total,
20 statewide cap on the amount of income tax credits allowed annually;

21 2. a. If the Tax Commission determines the total combined
22 credits claimed for contributions made to scholarship-
23 granting organizations during the most recently
24 completed calendar year by all single individual

1 taxpayers and married individuals filing jointly are
2 in excess of One Million Seven Hundred Fifty Thousand
3 Dollars (\$1,750,000.00), plus any additional amount
4 allocated pursuant to subsection H of this section,
5 the Tax Commission shall determine the percentage of
6 the contribution which establishes the proportionate
7 share of the credit which may be claimed by any
8 taxpayer so that the maximum credits authorized by
9 subparagraph a of paragraph 2 of subsection B of this
10 section are not exceeded.

11 b. If the Tax Commission determines the total combined
12 credits claimed for contributions made to scholarship-
13 granting organizations during the most recently
14 completed calendar year by all taxpayers not subject
15 to subparagraph a of this paragraph are in excess of
16 One Million Seven Hundred Fifty Thousand Dollars
17 (\$1,750,000.00), plus any additional amount allocated
18 pursuant to subsection H of this section, the Tax
19 Commission shall determine the percentage of the
20 contribution which establishes the proportionate share
21 of the credit which may be claimed by any taxpayer so
22 that the maximum credits authorized by subparagraph b
23 of paragraph 2 of subsection B of this section are not
24 exceeded.

1 c. If the Tax Commission determines the total combined
2 credits claimed for contributions made to educational
3 improvement grant organizations during the most
4 recently completed calendar year by all single
5 individual taxpayers, married individuals filing
6 jointly and all other taxpayers are in excess of One
7 Million Five Hundred Thousand Dollars (\$1,500,000.00),
8 plus any additional amount allocated pursuant to
9 subsection H of this section, the Tax Commission shall
10 determine the percentage of the contribution which
11 establishes the proportionate share of the credit
12 which may be claimed by any taxpayer so that the
13 maximum credits authorized by subparagraph a of
14 paragraph 3 of subsection C of this section are not
15 exceeded; and

16 3. The Tax Commission shall publish the percentage of the
17 contribution which may be claimed as a credit by contributors for
18 the most recently completed calendar year on the Tax Commission
19 website no later than February 15 of each calendar year for
20 contributions made the previous year. Each scholarship-granting
21 organization or educational improvement grant organization shall
22 notify contributors of that amount annually.

23 H. The provisions of this subsection shall be applicable with
24 respect to any calendar year for which any one of the tax credit

1 pools is fully utilized and for which one or both of the remaining
2 tax credit pool amounts are not fully utilized.

3 1. If for any calendar year there is any amount of available
4 credit remaining pursuant to the provisions of paragraph 2 of
5 subsection G of this section, and only one of the other tax credit
6 pools has been fully utilized, the remaining amount from the tax
7 credit pool which was not fully utilized shall be allocated to and
8 added to the total tax credit pool amount for the other tax credit.

9 2. If for any calendar year there is any amount of available
10 credit remaining pursuant to the provisions of paragraph 2 of
11 subsection G of this section, and the other two tax credit pools
12 have both been fully utilized, the remaining amount from the tax
13 credit pool which was not fully utilized shall be divided by the
14 whole number two (2) and the resulting amount shall be allocated to
15 and added to the amount of available tax credits for each of the
16 other tax credit pools.

17 I. The credit authorized by this section shall not be used to
18 reduce the tax liability of the taxpayer to less than zero (0).

19 J. Any credits allowed but not used in any tax year may be
20 carried over, in order, to each of the three (3) years following the
21 year of qualification.

22 K. 1. In order to qualify under this section, an educational
23 improvement grant organization shall submit an application with
24

1 information to the Oklahoma Tax Commission on a form prescribed by
2 the Tax Commission that:

3 a. enables the Tax Commission to confirm that the
4 organization is a nonprofit entity exempt from
5 taxation pursuant to the provisions of the Internal
6 Revenue Code, 26 U.S.C., Section 501(c)(3), and

7 b. describes the proposed innovative educational program
8 or programs supported by the organization.

9 2. The Tax Commission shall review and approve or disapprove
10 the application, in consultation with the State Department of
11 Education.

12 3. In order to maintain eligibility under this section, an
13 educational improvement grant organization shall annually report the
14 following information to the Tax Commission by September 1 of each
15 year:

16 a. the name of the innovative educational program or
17 programs and the total amount of the grant or grants
18 made to those programs during the immediately preceding
19 school year,

20 b. a description of how each grant was utilized during the
21 immediately preceding school year and a description of
22 any demonstrated or expected innovative educational
23 improvements,

24

- c. the names of the public school and school districts where innovative educational programs that received grants during the immediately preceding school year were implemented,
- d. where the organization collects information on a county-by-county basis, and
- e. the total number and total amount of grants made during the immediately preceding school year for innovative educational programs at public school by each county in which the organization made grants.

4. The information required under paragraph 3 of this subsection shall be submitted on a form provided by the Tax Commission. No later than May 1 of each year, the Tax Commission shall annually distribute sample forms together with the forms on which the reports are required to be made to each approved organization.

5. The Tax Commission shall not require any other information be provided by an organization, except as expressly authorized in this section.

L. In consultation with the State Department of Education, the Tax Commission shall promulgate rules necessary to implement this act. The rules shall include procedures for the registration of a scholarship-granting organization or an educational improvement

1 grant organization for purposes of determining if the organization
2 meets the requirements of this act, for the revocation of the
3 registration of an organization, if applicable, and for notice as
4 required in subsection G of this section.

5 SECTION 29. AMENDATORY 68 O.S. 2011, Section 2357.302,
6 is amended to read as follows:

7 Section 2357.302. A. Except as provided in subsection F of
8 this section, for taxable years beginning after December 31, 2008,
9 and ending before January 1, 2015, a qualified employer shall be
10 allowed a credit against the tax imposed pursuant to Section 2355 of
11 this title for tuition reimbursed to a qualified employee.

12 B. The credit authorized by subsection A of this section may be
13 claimed only if the qualified employee has been awarded an
14 undergraduate or graduate degree within one (1) year of commencing
15 employment with the qualified employer.

16 C. The credit authorized by subsection A of this section shall
17 be in the amount of fifty percent (50%) of the tuition reimbursed to
18 a qualified employee for the first through fourth years of
19 employment. In no event shall this credit exceed fifty percent
20 (50%) of the average annual amount paid by a qualified employee for
21 enrollment and instruction in a qualified program at a public
22 institution in Oklahoma.

23
24

1 D. The credit authorized by subsection A of this section shall
2 not be used to reduce the tax liability of the qualified employer to
3 less than zero (0).

4 E. No credit authorized by this section shall be claimed after
5 the fourth year of employment.

6 F. No credit otherwise authorized by the provisions of this
7 section may be claimed for any event, transaction, investment,
8 expenditure or other act occurring on or after July 1, 2010, ~~for~~
9 ~~which the credit would otherwise be allowable. The provisions of~~
10 ~~this subsection shall cease to be operative on July 1, 2011.~~
11 ~~Beginning July 1, 2011, the credit authorized by this section may be~~
12 ~~claimed for any event, transaction, investment, expenditure or other~~
13 ~~act occurring on or after July 1, 2011, according to the provisions~~
14 ~~of this section~~ except as provided in this subsection:

15 1. Any event, transaction, investment, expenditure or other act
16 occurring on or after July 1, 2011, but before June 30, 2012, for
17 which the credit would otherwise be allowed, may be claimed as
18 provided in subsections A through E of this section; and

19 2. Any event, transaction, investment, expenditure or other act
20 occurring on or after July 1, 2012, shall not be allowed for any
21 taxpayer subject to the tax imposed by subsection B of Section 2355
22 of this title.

23 SECTION 30. AMENDATORY 68 O.S. 2011, Section 2357.303,
24 is amended to read as follows:

1 Section 2357.303. A. Except as provided in subsection F of
2 this section, for taxable years beginning after December 31, 2008,
3 and ending before January 1, 2015, a qualified employer shall be
4 allowed a credit against the tax imposed pursuant to Section 2355 of
5 this title for compensation paid to a qualified employee.

6 B. The credit authorized by subsection A of this section shall
7 be in the amount of:

8 1. Ten percent (10%) of the compensation paid for the first
9 through fifth years of employment in the aerospace sector if the
10 qualified employee graduated from an institution located in this
11 state; or

12 2. Five percent (5%) of the compensation paid for the first
13 through fifth years of employment in the aerospace sector if the
14 qualified employee graduated from an institution located outside
15 this state.

16 C. The credit authorized by this section shall not exceed
17 Twelve Thousand Five Hundred Dollars (\$12,500.00) for each qualified
18 employee annually.

19 D. The credit authorized by this section shall not be used to
20 reduce the tax liability of the qualified employer to less than zero
21 (0).

22 E. No credit authorized pursuant to this section shall be
23 claimed after the fifth year of employment.

24

1 F. No credit otherwise authorized by the provisions of this
2 section may be claimed for any event, transaction, investment,
3 expenditure or other act occurring on or after July 1, 2010, ~~for~~
4 ~~which the credit would otherwise be allowable. The provisions of~~
5 ~~this subsection shall cease to be operative on July 1, 2011.~~
6 ~~Beginning July 1, 2011, the credit authorized by this section may be~~
7 ~~claimed for any event, transaction, investment, expenditure or other~~
8 ~~act occurring on or after July 1, 2011, according to the provisions~~
9 ~~of this section~~ except as provided in this subsection:

10 1. Any event, transaction, investment, expenditure or other act
11 occurring on or after July 1, 2011, but before June 30, 2012, for
12 which the credit would otherwise be allowed, may be claimed as
13 provided in subsections A through E of this section; and

14 2. Any event, transaction, investment, expenditure or other act
15 occurring on or after July 1, 2012, shall not be allowed for any
16 taxpayer subject to the tax imposed by subsection B of Section 2355
17 of this title.

18 SECTION 31. AMENDATORY 68 O.S. 2011, Section 2358, is
19 amended to read as follows:

20 Section 2358. For all tax years beginning after December 31,
21 1981, taxable income and adjusted gross income shall be adjusted to
22 arrive at Oklahoma taxable income and Oklahoma adjusted gross income
23 as required by this section.

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

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

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

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

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

24

1 b. For carryovers and carrybacks to taxable years
2 beginning after December 31, 1980, the amount of any
3 net operating loss deduction allowed for the taxable
4 year shall be an amount equal to the aggregate of the
5 Oklahoma net operating loss carryovers and carrybacks
6 to such year. Oklahoma net operating losses shall be
7 separately determined by reference to Section 172 of
8 the Internal Revenue Code, 26 U.S.C., Section 172, as
9 modified by the Oklahoma Income Tax Act, Section 2351
10 et seq. of this title, and shall be allowed without
11 regard to the existence of a federal net operating
12 loss. For tax years beginning after December 31,
13 2000, and ending before January 1, 2008, the years to
14 which such losses may be carried shall be determined
15 solely by reference to Section 172 of the Internal
16 Revenue Code, 26 U.S.C., Section 172, with the
17 exception that the terms "net operating loss" and
18 "taxable income" shall be replaced with "Oklahoma net
19 operating loss" and "Oklahoma taxable income". For
20 tax years beginning after December 31, 2007, and
21 ending before January 1, 2009, years to which such
22 losses may be carried back shall be limited to two (2)
23 years. For tax years beginning after December 31,
24 2008, the years to which such losses may be carried

1 back shall be determined solely by reference to
2 Section 172 of the Internal Revenue Code, 26 U.S.C.,
3 Section 172, with the exception that the terms "net
4 operating loss" and "taxable income" shall be replaced
5 with "Oklahoma net operating loss" and "Oklahoma
6 taxable income".

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

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

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

22 (1) where such property has acquired a nonunitary
23 business or commercial situs apart from the
24 domicile of the taxpayer such income shall be

1 allocated in accordance with such business or
2 commercial situs; interest income from
3 investments held to generate working capital for
4 a unitary business enterprise shall be included
5 in apportionable income; a resident trust or
6 resident estate shall be treated as having a
7 separate commercial or business situs insofar as
8 undistributed income is concerned, but shall not
9 be treated as having a separate commercial or
10 business situs insofar as distributed income is
11 concerned,

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

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

14 (3) income from such property which is required to be
15 allocated pursuant to the provisions of paragraph
16 5 of this subsection shall be allocated as herein
17 provided;

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

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

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

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

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

19 the Oklahoma net income shall, at the option of the
20 taxpayer, be that portion of the total net income of
21 the taxpayer for federal income tax purposes derived
22 from the manufacture and/or processing and sales
23 everywhere as determined by the ratio of the sales
24 defined in this section made to the purchaser within

1 the state to the total sales everywhere. The term
2 "public warehouse" as used in this subparagraph means
3 a licensed public warehouse, the principal business of
4 which is warehousing merchandise for the public;

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

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

1 by the National Association of Insurance
2 Commissioners, or such other form as may be
3 prescribed in lieu thereof,

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

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

10 5. The net income or loss remaining after the separate
11 allocation in paragraph 4 of this subsection, being that which is
12 derived from a unitary business enterprise, shall be apportioned to
13 this state on the basis of the arithmetical average of three factors
14 consisting of property, payroll and sales or gross revenue
15 enumerated as subparagraphs a, b and c of this paragraph. Net
16 income or loss as used in this paragraph includes that derived from
17 patent or copyright royalties, purchase discounts, and interest on
18 accounts receivable relating to or arising from a business activity,
19 the income from which is apportioned pursuant to this subsection,
20 including the sale or other disposition of such property and any
21 other property used in the unitary enterprise. Deductions used in
22 computing such net income or loss shall not include taxes based on
23 or measured by income. Provided, for corporations whose property
24 for purposes of the tax imposed by Section 2355 of this title has an

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

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

19 (1) Property, the income from which is separately
20 allocated in paragraph 4 of this subsection,
21 shall not be included in determining this
22 fraction. The numerator of the fraction shall
23 include a portion of the investment in
24 transportation and other equipment having no

1 fixed situs, such as rolling stock, buses, trucks
2 and trailers, including machinery and equipment
3 carried thereon, airplanes, salespersons'
4 automobiles and other similar equipment, in the
5 proportion that miles traveled in Oklahoma by
6 such equipment bears to total miles traveled,

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

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

21 b. The payroll factor is a fraction, the numerator of
22 which is the total compensation for services rendered
23 in the state during the tax period, and the
24 denominator of which is the total compensation for

1 services rendered everywhere during the tax period.

2 "Compensation", as used in this subsection means those
3 paid-for services to the extent related to the unitary
4 business but does not include officers' salaries,
5 wages and other compensation.

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

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

22 c. The sales factor is a fraction, the numerator of which
23 is the total sales or gross revenue of the taxpayer in
24 this state during the tax period, and the denominator

1 of which is the total sales or gross revenue of the
2 taxpayer everywhere during the tax period. "Sales",
3 as used in this subsection does not include sales or
4 gross revenue which are separately allocated in
5 paragraph 4 of this subsection.

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

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

22 (3) In the case of an airline, truck or bus
23 enterprise or freight car, tank car, refrigerator
24 car or other railroad equipment enterprise, the

1 numerator of the fraction shall include a portion
2 of revenue from interstate transportation in the
3 proportion that interstate mileage traveled in
4 Oklahoma bears to total interstate mileage
5 traveled.

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

20 (5) In the case of a telephone or telegraph or other
21 communication enterprise, the numerator of the
22 fraction shall include that portion of the
23 interstate revenue as is allocated pursuant to
24 the accounting procedures prescribed by the

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

15 In any case where the apportionment of the three factors
16 prescribed in this paragraph attributes to Oklahoma a portion of net
17 income of the enterprise out of all appropriate proportion to the
18 property owned and/or business transacted within this state, because
19 of the fact that one or more of the factors so prescribed are not
20 employed to any appreciable extent in furtherance of the enterprise;
21 or because one or more factors not so prescribed are employed to a
22 considerable extent in furtherance of the enterprise; or because of
23 other reasons, the Tax Commission is empowered to permit, after a
24 showing by taxpayer that an excessive portion of net income has been

1 attributed to Oklahoma, or require, when in its judgment an
2 insufficient portion of net income has been attributed to Oklahoma,
3 the elimination, substitution, or use of additional factors, or
4 reduction or increase in the weight of such prescribed factors.
5 Provided, however, that any such variance from such prescribed
6 factors which has the effect of increasing the portion of net income
7 attributable to Oklahoma must not be inherently arbitrary, and
8 application of the recomputed final apportionment to the net income
9 of the enterprise must attribute to Oklahoma only a reasonable
10 portion thereof.

11 6. For calendar years 1997 and 1998, the owner of a new or
12 expanded agricultural commodity processing facility in this state
13 may exclude from Oklahoma taxable income, or in the case of an
14 individual, the Oklahoma adjusted gross income, fifteen percent
15 (15%) of the investment by the owner in the new or expanded
16 agricultural commodity processing facility. For calendar year 1999,
17 and all subsequent years, the percentage, not to exceed fifteen
18 percent (15%), available to the owner of a new or expanded
19 agricultural commodity processing facility in this state claiming
20 the exemption shall be adjusted annually so that the total estimated
21 reduction in tax liability does not exceed One Million Dollars
22 (\$1,000,000.00) annually. The Tax Commission shall promulgate rules
23 for determining the percentage of the investment which each eligible
24 taxpayer may exclude. The exclusion provided by this paragraph

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

12 For purposes of this paragraph:

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

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

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

7 (2) transporting the agricultural commodities or
8 product before, during or after the processing,
9 or

10 (3) packaging or otherwise preparing the product for
11 sale or shipment.

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

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

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

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

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

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

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

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

24

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

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

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

1 from the date of receipt of the first royalty payment accruing from
2 such transfer. No exemption may be claimed for transfers of
3 technology to qualified small businesses made prior to January 1,
4 1988.

5 2. For purposes of this subsection:

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

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

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

16 (3) Not a subsidiary or affiliate of the transferor
17 corporation;

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

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

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

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

12 2. As used in this subsection:

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

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

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

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

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

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

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

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

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

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

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

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

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

22 1. a. ~~In~~ For taxable years beginning before January 1, 2013,
23 if otherwise authorized by legislative enactment in
24 the case of individuals, there shall be added or

1 deducted, as the case may be, the difference necessary
2 to allow personal exemptions of One Thousand Dollars
3 (\$1,000.00) in lieu of the personal exemptions allowed
4 by the Internal Revenue Code.

5 b. ~~There~~ For taxable years beginning before January 1,
6 2013, if otherwise authorized by legislative
7 enactment, there shall be allowed an additional
8 exemption of One Thousand Dollars (\$1,000.00) for each
9 taxpayer or spouse who is blind at the close of the
10 tax year. For purposes of this subparagraph, an
11 individual is blind only if the central visual acuity
12 of the individual does not exceed 20/200 in the better
13 eye with correcting lenses, or if the visual acuity of
14 the individual is greater than 20/200, but is
15 accompanied by a limitation in the fields of vision
16 such that the widest diameter of the visual field
17 subtends an angle no greater than twenty (20) degrees.

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

1 this exemption if the federal adjusted gross income
2 does not exceed:

- 3 (1) Twenty-five Thousand Dollars (\$25,000.00) if
4 married and filing jointly;
- 5 (2) Twelve Thousand Five Hundred Dollars (\$12,500.00)
6 if married and filing separately;
- 7 (3) Fifteen Thousand Dollars (\$15,000.00) if single;
8 and
- 9 (4) Nineteen Thousand Dollars (\$19,000.00) if a
10 qualifying head of household.

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

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

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

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

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

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

1 deductions and personal exemptions shall be subject to proration as
2 provided by law. No itemized deductions shall be allowed for tax
3 years beginning on or after January 1, 2013.

4 4. A For tax years beginning before January 1, 2013, resident
5 individual with a physical disability constituting a substantial
6 handicap to employment may deduct from Oklahoma adjusted gross
7 income such expenditures to modify a motor vehicle, home or
8 workplace as are necessary to compensate for his or her handicap. A
9 veteran certified by the Department of Veterans Affairs of the
10 federal government as having a service-connected disability shall be
11 conclusively presumed to be an individual with a physical disability
12 constituting a substantial handicap to employment. The Tax
13 Commission shall promulgate rules containing a list of combinations
14 of common disabilities and modifications which may be presumed to
15 qualify for this deduction. The Tax Commission shall prescribe
16 necessary requirements for verification.

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

23 b. On or after July 1, 2010, and ending before January 1,
24 2015, one hundred percent (100%) of the income

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

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

14 d. For the taxable year beginning on January 1, 2015, and
15 every year thereafter, if the State Board of
16 Equalization makes a determination pursuant to Section
17 2355.1D of this title that, for the purposes of this
18 paragraph, revenue collections do not exceed revenue
19 reductions, a deduction of the first One Thousand Five
20 Hundred Dollars (\$1,500.00) received by any person
21 from the United States as salary or compensation in
22 any form, other than retirement benefits, as a member
23 of any component of the Armed Forces of the United
24 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 before January 1, 2013, Social Security benefits received by
16 an individual shall be exempt from taxable income, to the extent
17 such benefits are included in the federal adjusted gross income
18 pursuant to the provisions of Section 86 of the Internal Revenue
19 Code, 26 U.S.C., Section 86.

20 11. For taxable years beginning after December 31, 1994, and
21 ending before January 1, 2013, 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, and
12 ending before January 1, 2013, contributions made to and interest
13 received from a medical savings account established pursuant to
14 Sections 2621 through 2623 of Title 63 of the Oklahoma Statutes
15 shall be exempt from taxable income.

16 13. For taxable years beginning after December 31, 1996, and
17 ending before January 1, 2013, the Oklahoma adjusted gross income of
18 any individual taxpayer who is a swine or poultry producer may be
19 further adjusted for the deduction for depreciation allowed for new
20 construction or expansion costs which may be computed using the same
21 depreciation method elected for federal income tax purposes except
22 that the useful life shall be seven (7) years for purposes of this
23 paragraph. If depreciation is allowed as a deduction in determining
24 the adjusted gross income of an individual, any depreciation

1 calculated and claimed pursuant to this section shall in no event be
2 a duplication of any depreciation allowed or permitted on the
3 federal income tax return of the individual.

4 14. a. In taxable years beginning after December 31, 2002,
5 and ending before January 1, 2013, nonrecurring
6 adoption expenses paid by a resident individual
7 taxpayer in connection with:

8 (1) the adoption of a minor, or

9 (2) a proposed adoption of a minor which did not
10 result in a decreed adoption,

11 may be deducted from the Oklahoma adjusted gross
12 income.

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

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

22 d. "Nonrecurring adoption expenses" means adoption fees,
23 court costs, medical expenses, attorney fees and
24 expenses which are directly related to the legal

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

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

1 In taxable years beginning after December 31, 2004,
2 and ending before January 1, 2013, retirement benefits
3 not to exceed the amounts specified in this paragraph,
4 which are received by an individual whose Oklahoma
5 adjusted gross income is less than the qualifying
6 amount specified in this paragraph, shall be exempt
7 from taxable income.

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

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

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

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, and
14 ending before January 1, 2013, for an individual engaged in
15 production agriculture who has filed a Schedule F form with the
16 taxpayer's federal income tax return for such taxable year, there
17 shall be excluded from taxable income any amount which was included
18 as federal taxable income or federal adjusted gross income and which
19 consists of the discharge of an obligation by a creditor of the
20 taxpayer incurred to finance the production of agricultural
21 products.

22 17. In taxable years beginning December 31, 2000, and ending
23 before January 1, 2013, an amount equal to one hundred percent
24 (100%) of the amount of any scholarship or stipend received from

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

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

13 b. In taxable years beginning after December 31, 2004,
14 and ending before January 1, 2013, each taxpayer shall
15 be allowed a deduction for contributions to accounts
16 established pursuant to the Oklahoma College Savings
17 Plan Act. The maximum annual deduction shall equal
18 the amount of contributions to all such accounts plus
19 any contributions to such accounts by the taxpayer for
20 prior taxable years after December 31, 2004, which
21 were not deducted, but in no event shall the deduction
22 for each tax year exceed Ten Thousand Dollars
23 (\$10,000.00) for each individual taxpayer or Twenty
24 Thousand Dollars (\$20,000.00) for taxpayers filing a

1 joint return. Any amount of a contribution that is
2 not deducted by the taxpayer in the year for which the
3 contribution is made may be carried forward as a
4 deduction from income for the succeeding five (5)
5 years. For taxable years beginning after December 31,
6 2005, and ending before January 1, 2013, deductions
7 may be taken for contributions and rollovers made
8 during a taxable year and up to April 15 of the
9 succeeding year, or the due date of a taxpayer's state
10 income tax return, excluding extensions, whichever is
11 later. Provided, a deduction for the same
12 contribution may not be taken for two (2) different
13 taxable years.

14 c. In taxable years beginning after December 31, 2006,
15 and ending before January 1, 2013, deductions for
16 contributions made pursuant to subparagraph b of this
17 paragraph shall be limited as follows:

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

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

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

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

22 f. As used in this paragraph:
23
24

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

4 (a) a qualified withdrawal,

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

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

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

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

23 19. For taxable years beginning after December 31, 2005, and
24 ending before January 1, 2013, retirement benefits received by an

1 individual from any component of the Armed Forces of the United
2 States in an amount not to exceed the greater of seventy-five
3 percent (75%) of such benefits or Ten Thousand Dollars (\$10,000.00)
4 shall be exempt from taxable income but in no case less than the
5 amount of the exemption provided by paragraph 15 of this subsection.

6 20. For taxable years beginning after December 31, 2006, and
7 ending before January 1, 2013, retirement benefits received by
8 federal civil service retirees, including survivor annuities, paid
9 in lieu of Social Security benefits shall be exempt from taxable
10 income to the extent such benefits are included in the federal
11 adjusted gross income pursuant to the provisions of Section 86 of
12 the Internal Revenue Code, 26 U.S.C., Section 86, according to the
13 following schedule:

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

24

1 effect, one hundred percent (100%) of such benefits
2 shall be exempt.

3 21. a. For taxable years beginning after December 31, 2007,
4 and ending before January 1, 2013, a resident
5 individual may deduct up to Ten Thousand Dollars
6 (\$10,000.00) from Oklahoma adjusted gross income if
7 the individual, or the dependent of the individual,
8 while living, donates one or more human organs of the
9 individual to another human being for human organ
10 transplantation. As used in this paragraph, "human
11 organ" means all or part of a liver, pancreas, kidney,
12 intestine, lung, or bone marrow. A deduction that is
13 claimed under this paragraph may be claimed in the
14 taxable year in which the human organ transplantation
15 occurs.

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

20 c. The Oklahoma Tax Commission shall promulgate rules to
21 implement the provisions of this paragraph which shall
22 contain a specific list of expenses which may be
23 presumed to qualify for the deduction. The Tax
24

1 Commission shall prescribe necessary requirements for
2 verification.

3 22. For taxable years beginning after December 31, 2009, and
4 ending before January 1, 2013, there shall be exempt from taxable
5 income any amount received by the beneficiary of the death benefit
6 for an emergency medical technician or a registered emergency
7 medical responder provided by Section 1-2505.1 of Title 63 of the
8 Oklahoma Statutes.

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

13 24. For taxable years beginning after December 31, 2008, and
14 ending before January 1, 2013, there shall be exempt from taxable
15 income any payment in an amount less than Six Hundred Dollars
16 (\$600.00) received by a person as an award for participation in a
17 competitive livestock show event. For purposes of this paragraph,
18 the payment shall be treated as a scholarship amount paid by the
19 entity sponsoring the event and the sponsoring entity shall cause
20 the payment to be categorized as a scholarship in its books and
21 records.

22 F. 1. For taxable years beginning after December 31, 2004, and
23 ending before January 1, 2013, a deduction from the Oklahoma
24 adjusted gross income of any individual taxpayer shall be allowed

1 for qualifying gains receiving capital treatment that are included
2 in the federal adjusted gross income of such individual taxpayer
3 during the taxable year.

4 2. As used in this subsection:

5 a. "qualifying gains receiving capital treatment" means
6 the amount of net capital gains, as defined in Section
7 1222(11) of the Internal Revenue Code, included in an
8 individual taxpayer's federal income tax return that
9 result from:

- 10 (1) the sale of real property or tangible personal
11 property located within Oklahoma that has been
12 directly or indirectly owned by the individual
13 taxpayer for a holding period of at least five
14 (5) years prior to the date of the transaction
15 from which such net capital gains arise,
- 16 (2) the sale of stock or the sale of a direct or
17 indirect ownership interest in an Oklahoma
18 company, limited liability company, or
19 partnership where such stock or ownership
20 interest has been directly or indirectly owned by
21 the individual taxpayer for a holding period of
22 at least two (2) years prior to the date of the
23 transaction from which the net capital gains
24 arise, or

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

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

20 c. "Oklahoma company," "limited liability company," or
21 "partnership" means an entity whose primary
22 headquarters have been located in Oklahoma for at
23 least three (3) uninterrupted years prior to the date
24

1 of the transaction from which the net capital gains
2 arise,

3 d. "direct" means the individual taxpayer directly owns
4 the asset,

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

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

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

1 liability company, partnership or Oklahoma
2 proprietorship business enterprise, the deduction
3 described in this subsection shall not apply
4 unless the pass-through entity that makes the
5 sale has held the stock or ownership interest for
6 not less than two (2) uninterrupted years prior
7 to the date of the transaction that created the
8 capital gain, and each pass-through entity
9 included in the chain of ownership has been a
10 member, partner or shareholder of the pass-
11 through entity in the tier immediately below it
12 for an uninterrupted period of not less than two
13 (2) years. For purposes of this division,
14 uninterrupted ownership prior to the effective
15 date of this act shall be included in the
16 determination of the required holding period
17 prescribed by this division, and

18 f. "Oklahoma proprietorship business enterprise" means a
19 business enterprise whose income and expenses have
20 been reported on Schedule C or F of an individual
21 taxpayer's federal income tax return, or any similar
22 successor schedule published by the Internal Revenue
23 Service and whose primary headquarters have been
24 located in Oklahoma for at least three (3)

1 uninterrupted years prior to the date of the
2 transaction from which the net capital gains arise.

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

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

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

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

- 1 (1) treated as an association taxable as a
2 corporation under the Internal Revenue Code of
3 1986, as amended, and
4 (2) not exempt from federal income tax pursuant to
5 the provisions of Section 501(a) of the Internal
6 Revenue Code of 1986, as amended.

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

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

- 15 (1) any real estate investment trust as defined in
16 paragraph a of this subsection other than a
17 "captive real estate investment trust", or
18 (2) any qualified real estate investment trust
19 subsidiary under Section 856(i) of the Internal
20 Revenue Code of 1986, as amended, other than a
21 qualified REIT subsidiary of a "captive real
22 estate investment trust", or
23 (3) any Listed Australian Property Trust (meaning an
24 Australian unit trust registered as a "Managed

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

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

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

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

15 SECTION 32. AMENDATORY 68 O.S. 2011, Section 54006, is
16 amended to read as follows:

17 Section 54006. A. Except as provided in subsection F of this
18 section, for taxable years beginning after December 31, 1992, and
19 before January 1, 2003, and for taxable years beginning after
20 December 31, 2005, there shall be allowed a credit against the tax
21 imposed by Section 2355 of this title for a net increase in the
22 number of full-time-equivalent employees engaged in computer
23 services, data processing or research and development as defined in
24

1 Section 54003 of this title, in this state including employees
2 engaged in support services.

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

19 C. For credits taken for taxable years beginning after December
20 31, 1992, and before January 1, 2003, in order to be eligible to
21 receive the credit provided for in subsection A of this section, a
22 new or expanding business shall not include the existing employee
23 positions of any business enterprise that is directly or
24 beneficially owned by a corporation, trust, joint venture,

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

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

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

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

1 ~~of this section~~ by any taxpayer subject to the tax imposed by
2 subsection B of Section 2355 of this title.

3 SECTION 33. REPEALER 68 O.S. 2011, Sections 2357.43,
4 2357.304, 2358.3, 2358.7, 2906, 2907 and 5011 and hereby repealed.

5 SECTION 34. Sections 1 through 30, 32 and 33 of this act shall
6 become effective July 1, 2012.

7 SECTION 35. Section 31 of this act shall become effective
8 January 1, 2013.

9 SECTION 36. It being immediately necessary for the preservation
10 of the public peace, health and safety, an emergency is hereby
11 declared to exist, by reason whereof this act shall take effect and
12 be in full force from and after its passage and approval.

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