

1 ENGROSSED SENATE
2 BILL NO. 585

By: Mazzei, Brinkley, Marlatt,
Griffin, Bingman, Ford,
Stanislowski, Halligan,
Crain, Shaw, Brown, Schulz,
Holt, Standridge, Brooks,
Loveless, Sykes, David,
Fields, Allen and Boggs of
the Senate

and

Sears of the House

[income and premium taxes - limiting time period
during which specified credits may be claimed -
income tax rates - effective date]

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~~ For tax years ending before
January 1, 2015, and 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, shall be
entitled to a one-time credit against its income tax liability, as
provided in Section 2-11-304 of this title, of not to exceed twenty

1 percent (20%) of the net investment cost of equipment and
2 installation of processes used for the recycling, reuse, or source
3 reduction of hazardous waste. Provided, that:

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

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

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

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

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

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

19 C. 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~~ during the time
22 period beginning on July 1, 2010, and ending on June 30, 2012, 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~~ The credit authorized by this section
2 may be claimed for any event, transaction, investment, expenditure
3 or other act occurring ~~on or after~~ during the time period beginning
4 on July 1, 2012 and ending on December 31, 2014, according to the
5 provisions of this section.

6 SECTION 2. AMENDATORY 36 O.S. 2011, Section 625.2, is
7 amended to read as follows:

8 Section 625.2. A. The tax credits set forth in ~~Section 1 of~~
9 ~~this act~~ Section 625.1 of this title shall ~~apply to insurers who~~
10 ~~take~~ be available to an insurer:

11 1. Who takes action after November 1, 1987, to:

12 ~~1. Establish~~

13 a. establish new regional home offices~~;~~ or

14 ~~2. Expand~~

15 b. expand existing regional home offices, and hire new
16 employees~~;~~ and

17 ~~B. An~~ 2. The insurer in either category of the requirements of
18 ~~paragraph A of this section must also meet~~ 1 of this subsection
19 meets the hiring minimum requirements for the applicable tax credit
20 bracket in ~~Section 1 of this act~~ Section 625.1 of this title.

21 B. The total credits allowed to all insurers for each fiscal
22 year which begins on or after July 1, 2014, shall be limited to Ten
23 Million Dollars (\$10,000,000.00). For any fiscal year when the
24 total credits claimed exceeds Ten Million Dollars (\$10,000,000.00),

1 the Insurance Department shall determine the percentage of the
2 premium taxes paid which establishes the proportionate share of the
3 total credit which may be claimed by any taxpayer so that the
4 maximum credits authorized by this paragraph are not exceeded. The
5 limit provided for in this subsection shall not apply to any credits
6 earned prior to July 1, 2014.

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

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

14 1. METHOD 1.

15 a. Single individuals and married individuals filing
16 separately not deducting federal income tax:

- 17 (1) 1/2% tax on first \$1,000.00 or part thereof,
- 18 (2) 1% tax on next \$1,500.00 or part thereof,
- 19 (3) 2% tax on next \$1,250.00 or part thereof,
- 20 (4) 3% tax on next \$1,150.00 or part thereof,
- 21 (5) 4% tax on next \$1,300.00 or part thereof,
- 22 (6) 5% tax on next \$1,500.00 or part thereof,
- 23 (7) 6% tax on next \$2,300.00 or part thereof, and

- 1 (8) (a) for taxable years beginning after December
2 31, 1998, and before January 1, 2002, 6.75%
3 tax on the remainder,
4 (b) for taxable years beginning on or after
5 January 1, 2002, and before January 1, 2004,
6 7% tax on the remainder, and
7 (c) for taxable years beginning on or after
8 January 1, 2004, 6.65% 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 not deducting federal income tax:

- 15 (1) 1/2% tax on first \$2,000.00 or part thereof,
16 (2) 1% tax on next \$3,000.00 or part thereof,
17 (3) 2% tax on next \$2,500.00 or part thereof,
18 (4) 3% tax on next \$2,300.00 or part thereof,
19 (5) 4% tax on next \$2,400.00 or part thereof,
20 (6) 5% tax on next \$2,800.00 or part thereof,
21 (7) 6% tax on next \$6,000.00 or part thereof, and
22 (8) (a) for taxable years beginning after December
23 31, 1998, and before January 1, 2002, 6.75%
24 tax on the remainder,

- (b) for taxable years beginning on or after
January 1, 2002, and before January 1, 2004,
7% tax on the remainder, and
- (c) for taxable years beginning on or after
January 1, 2004, 6.65% tax on the remainder.

2. METHOD 2.

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

- (1) 1/2% tax on first \$1,000.00 or part thereof,
- (2) 1% tax on next \$1,500.00 or part thereof,
- (3) 2% tax on next \$1,250.00 or part thereof,
- (4) 3% tax on next \$1,150.00 or part thereof,
- (5) 4% tax on next \$1,200.00 or part thereof,
- (6) 5% tax on next \$1,400.00 or part thereof,
- (7) 6% tax on next \$1,500.00 or part thereof,
- (8) 7% tax on next \$1,500.00 or part thereof,
- (9) 8% tax on next \$2,000.00 or part thereof,
- (10) 9% tax on next \$3,500.00 or part thereof, and
- (11) 10% 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 deducting federal income tax:

- (1) 1/2% tax on the first \$2,000.00 or part thereof,
- (2) 1% tax on the next \$3,000.00 or part thereof,
- (3) 2% tax on the next \$2,500.00 or part thereof,
- (4) 3% tax on the next \$1,400.00 or part thereof,
- (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)~~

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

~~(g)~~

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

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

~~unless the rate prescribed by subparagraph (h) of
this paragraph is in effect, and~~

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

~~2.~~

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 ~~(a)~~

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

6 ~~(b)~~

7 (2) 1% tax on next \$3,000.00 or part thereof,

8 ~~(c)~~

9 (3) 2% tax on next \$2,500.00 or part thereof,

10 ~~(d)~~

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

12 ~~(e)~~

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

14 ~~(f)~~

15 (6) 5% tax on next \$2,800.00 or part thereof, and

16 ~~(g)~~

17 (7) 5.50% tax on the remainder for the 2008 tax year

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

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

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

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

22 ~~tax years. The decrease in the top marginal~~

23 ~~individual income tax rate otherwise authorized by~~

24 ~~this subparagraph shall be contingent upon the~~

~~determination required to be made by the State Board
of Equalization pursuant to Section 2355.1A of this
title.~~

2. Individuals. For the taxable years beginning on or after
January 1, 2012, and ending before 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,
- (3) 2% tax on next \$1,250.00 or part thereof,
- (4) 3% tax on next \$1,150.00 or part thereof,
- (5) 4% tax on next \$2,300.00 or part thereof,
- (6) 5% tax on next \$1,500.00 or part thereof, and
- (7) 5.25% 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,

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

3. Individuals. For the taxable year beginning on January 1, 2015, and any subsequent tax year, a tax is hereby imposed upon the Oklahoma taxable income of every resident or nonresident individual, which tax shall be computed as follows:

a. Single individuals and married individuals filing separately:

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

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,

- 1 (2) 1% tax on next \$3,000.00 or part thereof,
2 (3) 2% tax on next \$2,500.00 or part thereof,
3 (4) 3% tax on next \$2,300.00 or part thereof,
4 (5) 4% tax on next \$2,400.00 or part thereof, and
5 (6) 4.75% tax on the remainder.

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

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

15 Every payer of amounts covered by this subsection shall deduct
16 and withhold from such amounts paid each payee an amount equal to
17 eight percent (8%) thereof. Every payer required to deduct and
18 withhold taxes under this subsection shall for each quarterly period
19 on or before the last day of the month following the close of each
20 such quarterly period, pay over the amount so withheld as taxes to
21 the Tax Commission, and shall file a return with each such payment.
22 Such return shall be in such form as the Tax Commission shall
23 prescribe. Every payer required under this subsection to deduct and
24 withhold a tax from a payee shall, as to the total amounts paid to

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

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

15 There shall be no additional Oklahoma income tax imposed on
16 accumulated taxable income or on undistributed personal holding
17 company income as those terms are defined in the Internal Revenue
18 Code.

19 E. Certain foreign corporations. In lieu of the tax imposed in
20 the first paragraph of subsection C of this section, for all taxable
21 years beginning after December 31, 1989, there shall be imposed on
22 foreign corporations, as defined in the Internal Revenue Code, a tax
23 of six percent (6%) instead of thirty percent (30%) as used in the
24 Internal Revenue Code, where such income is received from sources

1 within Oklahoma, in accordance with the provisions of the Internal
2 Revenue Code and the Oklahoma Income Tax Act.

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

22 F. Fiduciaries. A tax is hereby imposed upon the Oklahoma
23 taxable income of every trust and estate at the same rates as are
24 provided in subsection B of this section for single individuals.

1 Fiduciaries are not allowed a deduction for any federal income tax
2 paid.

3 G. Tax rate tables. For all taxable years beginning after
4 December 31, 1991, in lieu of the tax imposed by subsection A or B
5 of this section, as applicable there is hereby imposed for each
6 taxable year on the taxable income of every individual, whose
7 taxable income for such taxable year does not exceed the ceiling
8 amount, a tax determined under tables, applicable to such taxable
9 year which shall be prescribed by the Tax Commission and which shall
10 be in such form as it determines appropriate. In the table so
11 prescribed, the amounts of the tax shall be computed on the basis of
12 the rates prescribed by subsections A and B of this section. For
13 purposes of this subsection, the term "ceiling amount" means, with
14 respect to any taxpayer, the amount determined by the Tax Commission
15 for the tax rate category in which such taxpayer falls.

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

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

20 B. 1. There shall be allowed as a credit against the tax
21 imposed by Section 2355 of this title the amount of tax paid another
22 state by a resident individual, as defined in paragraph 4 of Section
23 2353 of this title, upon income received as compensation for
24 personal services in such other state; provided, such credit shall

1 not be allowed with respect to any income specified in Section 114
2 of Title 4 of the United States Code, 4 U.S.C., Section 114, upon
3 which a state is prohibited from imposing an income tax. The credit
4 shall not exceed such proportion of the tax payable under Section
5 2355 of this title as the compensation for personal services subject
6 to tax in the other state and also taxable under Section 2355 of
7 this title bears to the Oklahoma adjusted gross income as defined in
8 paragraph 13 of Section 2353 of this title.

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

1 December 31, 2007, and ending before January 1, 2015, and Fifty
2 Thousand Dollars (\$50,000.00) for tax years beginning on or after
3 January 1, 2015.

4 C. 1. ~~Except~~ For tax years ending before January 1, 2015, and
5 except as otherwise provided by paragraph 3 of this subsection,
6 every taxpayer who operates a manufacturing establishment in the
7 state shall be allowed a direct credit against income taxes owed by
8 such taxpayer to the state, the amount of which credit shall be
9 proportioned to the amount of gas used or consumed in Oklahoma by
10 such taxpayer in the operation of a manufacturing establishment, at
11 a rate of three (3) mills per thousand (1,000) cubic feet of gas
12 used or consumed after May 1, 1971, and during each taxable year of
13 such taxpayer provided that the credit allowed herein shall not
14 apply to the first twenty-five thousand (25,000) MCF of gas used or
15 gas used to generate electricity or consumed after May 1, 1971, and
16 during each taxable year of such taxpayer.

17 2. As used in this subsection:

18 a. "manufacturing establishment" means a plant or
19 establishment which engages in the business of working
20 raw materials into wares suitable for use or which
21 gives new shapes, new qualities or new combinations to
22 matter which has already gone through some artificial
23 process,
24

1 b. "gas used or consumed" shall include all natural or
2 casinghead gas used in the operation of the
3 manufacturing establishment for whatever purposes, but
4 shall not include the following:

5 (1) gas which, after being severed from the earth, is
6 subsequently injected into a formation in the
7 state for the purpose of storing, recycling,
8 repressuring or pressure maintenance,

9 (2) gas vented or flared directly into the
10 atmosphere,

11 (3) gas used for fuel in connection with the
12 operation and development for or production of
13 oil or gas in the field where produced, and

14 (4) gas, any part of which is resold by the
15 manufacturing establishment, except as to that
16 part and quantity of the gas which is actually
17 used by the establishment and not resold, and

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

1 3. No credit otherwise authorized by the provisions of this
2 subsection may be claimed for any event, transaction, investment,
3 expenditure or other act occurring ~~on or after~~ during the time
4 period beginning on July 1, 2010, and ending on June 30, 2012, for
5 which the credit would otherwise be allowable. ~~The provisions of~~
6 ~~this paragraph shall cease to be operative on July 1, 2012.~~
7 ~~Beginning July 1, 2012, the~~ The credit authorized by this subsection
8 may be claimed for any event, transaction, investment, expenditure
9 or other act occurring ~~on or after~~ during the time period beginning
10 on July 1, 2012, and ending on December 31, 2014, according to the
11 provisions of this subsection.

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

16 1. Those credits provided in this section; and

17 2. Those credits authorized by Sections 2-5-101 through ~~2-5-118~~
18 2-5-117 of Title 27A of the Oklahoma Statutes, which have been, or
19 may hereafter be, certified pursuant to applications therefor made
20 on or before March 22, 1971. Provided, the total amount of the
21 credits referred to in this subparagraph to be taken by the taxpayer
22 shall not exceed the certified net investment cost of the facilities
23 or processes to which such credits pertain, reduced by the greater
24 of:

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

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

16 SECTION 5. AMENDATORY 68 O.S. 2011, Section 2357.4, is
17 amended to read as follows:

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

23 1. Investment in qualified depreciable property placed in
24 service ~~during those years~~ during the taxable years beginning after

1 December 31, 1987, and ending before January 1, 2015, for use in a
2 manufacturing operation, as defined in Section 1352 of this title,
3 which has received a manufacturer exemption permit pursuant to the
4 provisions of Section 1359.2 of this title or a qualified aircraft
5 maintenance or manufacturing facility as defined in paragraph 14 of
6 Section 1357 of this title in this state or a qualified web search
7 portal as defined in paragraph 35 of Section 1357 of this title; or

8 2. A net increase in the number of full-time-equivalent
9 employees engaged in manufacturing, processing or aircraft
10 maintenance in this state during the taxable years beginning after
11 December 31, 1987, including employees engaged in support services.

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

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

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

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

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

23 E. The credit provided for in subsection A of this section, if
24 based upon investment in qualified depreciable property, shall not

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

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

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

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

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

22 2. Five Hundred Dollars (\$500.00) for each new employee. No
23 credit shall be allowed in any taxable year for a net increase in
24 the number of full-time-equivalent employees if such increase is a

1 result of an investment in qualified depreciable property for which
2 an income tax credit has been allowed as authorized by this section.

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

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

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

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

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

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

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

20 3. If a C corporation that otherwise qualified for the credits
21 under subsection A of this section subsequently changes its
22 operating status to that of a pass-through entity which is being
23 treated as the same entity for federal tax purposes, the credits
24 will continue to be available as if the pass-through entity had

1 originally qualified for the credits subject to the limitations of
2 this section.

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

7 J. 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 until the provisions
11 of 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, 2010, according to the provisions
15 of this section; provided, credits accrued during the period from
16 July 1, 2010, through June 30, 2012, shall be limited to a period of
17 two (2) taxable years. The credit shall be limited in each taxable
18 year to fifty percent (50%) of the total amount of the accrued
19 credit. Any tax credits which accrue during the period of July 1,
20 2010, through June 30, 2012, may not be claimed for any period prior
21 to the taxable year beginning January 1, 2012. No credits which
22 accrue during the period of July 1, 2010, through June 30, 2012, may
23 be used to file an amended tax return for any taxable year prior to
24 the taxable year beginning January 1, 2012.

1 SECTION 6. AMENDATORY 68 O.S. 2011, Section 2357.6, is
2 amended to read as follows:

3 Section 2357.6. A. Any person or corporation may contribute
4 monies to the Energy Conservation Assistance Fund. Except as
5 otherwise provided in subsection B of this section, for tax years
6 ending before January 1, 2015, such contributions shall be entitled
7 to an income tax credit against the state personal or corporate
8 income tax liability of fifty percent (50%) of the amount
9 contributed to the fund for the taxable year in which it was made.

10 B. 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~~ during the time
13 period beginning on July 1, 2010, and ending on June 30, 2012, 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~~ The credit authorized by this section
17 may be claimed for any event, transaction, investment, expenditure
18 or other act occurring ~~on or after~~ during the time period beginning
19 July 1, 2012, and ending on December 31, 2014, according to the
20 provisions of this section.

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

23 Section 2357.11. A. For purposes of this section, the term
24 "person" means any legal business entity including limited and

1 general partnerships, corporations, sole proprietorships, and
2 limited liability companies, but does not include individuals.

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

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

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

22 4. In addition to the credit allowed pursuant to the provisions
23 of paragraph 3 of this subsection, for the period of July 1, 2006,
24 through December 31, 2006, and except as provided in subsection M of

1 this section, for tax years beginning on or after January 1, 2007,
2 and ending on or before December 31, 2014, there shall be allowed a
3 credit in the amount of Two Dollars and fifteen cents (\$2.15) per
4 ton for each ton of Oklahoma-mined coal purchased by such person.
5 The credit allowed pursuant to the provisions of this paragraph may
6 not be claimed or transferred prior to January 1, 2008.

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

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

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

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

22 D. Except as otherwise provided in subsection E of this section
23 and in subsection M of this section, for tax years beginning on or
24 after January 1, 2001, and ending on or before December 31, 2014,

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

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

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

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

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

22 H. The additional credits allowed pursuant to subsections B, C,
23 D and E of this section but not used shall be freely transferable
24 after January 1, 2002, by written agreement to subsequent

transferees at any time during the five (5) years following the year of qualification; provided, the additional credits allowed pursuant to the provisions of paragraph 4 of subsection B of this section but not used shall be freely transferable after January 1, 2008, by written agreement to subsequent transferees at any time during the five (5) years following the year of qualification. An eligible transferee shall be any taxpayer subject to the tax imposed by Section 1803 or Section 2355 of this title or Section 624 or 628 of Title 36 of the Oklahoma Statutes. The person originally allowed the credit and the subsequent transferee shall jointly file a copy of the written credit transfer agreement with the Tax Commission within thirty (30) days of the transfer. The written agreement shall contain the name, address and taxpayer identification number of the parties to the transfer, the amount of credit being transferred, the year the credit was originally allowed to the transferring person and the tax year or years for which the credit may be claimed. The Tax Commission may promulgate rules to permit verification of the validity and timeliness of a tax credit claimed upon a tax return pursuant to this subsection but shall not promulgate any rules which unduly restrict or hinder the transfers of such tax credit.

I. The additional credit allowed pursuant to subsection F of this section but not used shall be freely transferable on or after July 1, 2006, by written agreement to subsequent transferees at any

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

17 J. Any person receiving tax credits pursuant to the provisions
18 of this section shall apply the credits against taxes payable or
19 shall transfer the credits as provided in this section. Credits
20 shall not be used to lower the price of any Oklahoma-mined coal sold
21 that is produced by a subsidiary of the person receiving a tax
22 credit under this section to other buyers of the Oklahoma-mined
23 coal.

24

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

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

10 M. 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~~ during the time
13 period beginning on July 1, 2010, and ending on June 30, 2012, 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~~ The credit authorized by this section
17 may be claimed for any event, transaction, investment, expenditure
18 or other act occurring ~~on or after~~ during the time period beginning
19 on July 1, 2012, and ending on December 31, 2014, according to the
20 provisions of this section.

21 SECTION 8. AMENDATORY 68 O.S. 2011, Section 2357.24, is
22 amended to read as follows:

23 Section 2357.24. A. For taxable years beginning after December
24 31, 1994, and ending before January 1, 2015, there shall be allowed

1 a deduction from the taxable income of any resident taxpayer who
2 sells to this state any real property in which the taxpayer is the
3 record owner and which real property was the site of a historic
4 battle during the nineteenth century and is or has been designated a
5 National Historic Landmark. For purposes of this section, a
6 "National Historic Landmark" is a district, site, building,
7 structure or object, designated by the Secretary of the Interior as
8 possessing national significance in American history, archaeology,
9 architecture, engineering or culture.

10 B. The deduction allowed by this section shall be limited to
11 fifty percent (50%) of any capital gain the owner of the property
12 receives or realizes upon the sale of the property and shall be
13 allowed for the taxable year in which the sale occurred.

14 C. A husband and wife who file separate returns for a taxable
15 year in which they could have filed a joint return may each claim
16 only one-half (1/2) of the tax deduction that would have been
17 allowed for a joint return. If record title to the property is held
18 in more than one individual other than a husband and wife, each
19 owner shall be allowed the deduction in the same percentage as that
20 individual's percentage of ownership in the property. In no event
21 shall the total deduction allowed by this section exceed fifty
22 percent (50%) in the taxable year of the capital gain realized on
23 the sale of the property.

1 D. Record title to the property subject to the provisions of
2 this section may be initially transferred or conveyed by the
3 resident taxpayer to a private, nonprofit organization if the
4 organization transfers or conveys record title to the property to
5 this state within one (1) year of the sale or transfer of the
6 property from the resident taxpayer to the organization. The
7 private, nonprofit organization shall not be entitled to the
8 deduction provided by this section. If record title is not
9 transferred or conveyed to this state by the private, nonprofit
10 organization within the one-year period, the resident taxpayer shall
11 not be allowed the deduction.

12 SECTION 9. AMENDATORY 68 O.S. 2011, Section 2357.26, is
13 amended to read as follows:

14 Section 2357.26. A. Except as otherwise provided by subsection
15 G of this section, for tax years beginning after December 31, 2001,
16 and ending before January 1, 2015, there shall be allowed a credit
17 against the tax imposed by Section 2355 of this title for employers
18 incurring eligible expenses in connection with the provision of
19 child care services.

20 B. As used in this section:

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

- 22 a. the purchase of qualifying child care services that
23 are actually provided to children of employees, at a
24 program licensed by the Department of Human Services

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

3 (1) child care center, or

4 (2) family child care home,

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

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

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

11 e. expanding a child care center,

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

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

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

20 2. "Employer" means a taxpayer who employs one or more full-
21 time-equivalent employees and whose primary source of income is from
22 a business other than the business of providing child care services.
23
24

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

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

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

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

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

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

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

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

1 expenditure or other act occurring ~~on or after~~ during the time
2 period beginning on July 1, 2010, and ending on June 30, 2012, for
3 which the credit would otherwise be allowable. ~~The provisions of~~
4 ~~this subsection shall cease to be operative on July 1, 2012.~~
5 ~~Beginning July 1, 2012, the~~ The credit authorized by this section
6 may be claimed for any event, transaction, investment, expenditure
7 or other act occurring ~~on or after~~ during the time period beginning
8 on July 1, 2012, and ending on December 31, 2014, according to the
9 provisions of this section.

10 SECTION 10. AMENDATORY 68 O.S. 2011, Section 2357.27, is
11 amended to read as follows:

12 Section 2357.27. A. Except as otherwise provided by subsection
13 E of this section, for tax years beginning after December 31, 1998,
14 and ending before January 1, 2015, there shall be allowed a credit
15 against the tax imposed by Section 2355 of this title for eligible
16 expenses incurred by entities primarily engaged in the business of
17 providing child care services.

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

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

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

8 E. No credit otherwise authorized by the provisions of this
9 section may be claimed for any event, transaction, investment,
10 expenditure or other act occurring ~~on or after~~ during the time
11 period beginning on July 1, 2010, and ending on June 30, 2012, for
12 which the credit would otherwise be allowable. ~~The provisions of~~
13 ~~this subsection shall cease to be operative on July 1, 2012.~~

14 ~~Beginning July 1, 2012, the~~ The credit authorized by this section
15 may be claimed for any event, transaction, investment, expenditure
16 or other act occurring ~~on or after~~ during the time period beginning
17 on July 1, 2012, and ending on December 31, 2014, according to the
18 provisions of this section.

19 SECTION 11. AMENDATORY 68 O.S. 2011, Section 2357.30, is
20 amended to read as follows:

21 Section 2357.30. A. As used in this section, "small business"
22 means any corporation, partnership, sole proprietorship or other
23 business entity qualifying as "small" under the standards contained
24

1 in Section 121 of Title 13 of the Code of Federal Regulations (13
2 C.F.R., Section 121).

3 B. Except as otherwise provided in subsection E of this
4 section, for taxable years beginning after December 31, 1998, and
5 ending before January 1, 2015, every small business operating within
6 this state shall be entitled to claim as a credit against the tax
7 imposed by Section 2355 of ~~Title 68 of the Oklahoma Statutes~~ this
8 title, subject to the limitations provided by subsection C of this
9 section, any amount paid to the U.S. Small Business Administration
10 as a guaranty fee pursuant to the obtaining of financing guaranteed
11 by the Small Business Administration.

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

22 D. If the credit authorized by this section exceeds the amount
23 of income taxes due or if there are no state income taxes due on the
24 income of the taxpayer as computed pursuant to the provisions of

1 subsection C of this section, the amount of the credit not used may
2 be carried forward as a credit against subsequent income tax
3 liability for a period not to exceed five (5) years. The credit
4 shall be claimable only by the small business which is the primary
5 obligor in the financing transaction and which actually paid the
6 guaranty fee.

7 E. 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~~ during the time
10 period beginning on July 1, 2010, and ending on June 30, 2012, for
11 which the credit would otherwise be allowable. ~~The provisions of~~
12 ~~this subsection shall cease to be operative on July 1, 2012.~~
13 ~~Beginning July 1, 2012, the~~ The credit authorized by this section
14 may be claimed for any event, transaction, investment, expenditure
15 or other act occurring ~~on or after~~ during the time period beginning
16 on July 1, 2012, and ending on December 31, 2014, according to the
17 provisions of this section.

18 SECTION 12. AMENDATORY 68 O.S. 2011, Section 2357.32A,
19 is amended to read as follows:

20 Section 2357.32A. A. Except as otherwise provided in
21 subsection H of this section, for tax years beginning on or after
22 January 1, 2003, and ending before January 1, 2016, there shall be
23 allowed a credit against the tax imposed by Section 2355 of this
24 title to a taxpayer for the taxpayer's production and sale to an

unrelated person of electricity generated by zero-emission facilities located in this state. As used in this section:

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

2. "Eligible renewable resources" means resources derived from:

- a. wind,
- b. moving water,
- c. sun, or
- d. geothermal energy.

B. For facilities placed in operation on or after January 1, 2003, and before January 1, 2007, the electricity generated on or after January 1, 2003, but prior to January 1, 2004, the amount of the credit shall be seventy-five one hundredths of one cent (\$0.0075) for each kilowatt-hour of electricity generated by zero-emission facilities. For electricity generated on or after January 1, 2004, but prior to January 1, 2007, the amount of the credit shall be fifty one hundredths of one cent (\$0.0050) per kilowatt-

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

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

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 tax year may be carried forward as a credit against
18 subsequent income tax liability for a period not exceeding ten (10)
19 years.

20 E. Any nontaxable entities, including agencies of the State of
21 Oklahoma or political subdivisions thereof, shall be eligible to
22 establish a transferable tax credit in the amount provided in
23 subsection B of this section for a tax year ending before January 1,
24 2014. Such tax credit shall be a property right available to a

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

9 F. ~~The~~ 1. For electricity generated before January 1, 2014,
10 the amount of the credit allowed, but not used, shall be freely
11 transferable at any time during the ten (10) years following the
12 year of qualification. Any person to whom or to which a tax credit
13 is transferred shall have only such rights to claim and use the
14 credit under the terms that would have applied to the entity by whom
15 or by which the tax credit was transferred. The provisions of this
16 ~~subsection~~ paragraph shall not limit the ability of a tax credit
17 transferee to reduce the tax liability of the transferee, regardless
18 of the actual tax liability of the tax credit transferor, for the
19 relevant taxable period. The transferor initially allowed the
20 credit and any subsequent transferees shall jointly file a copy of
21 any written transfer agreement with the Oklahoma Tax Commission
22 within thirty (30) days of the transfer. The written agreement
23 shall contain the name, address and taxpayer identification number
24 or social security number of the parties to the transfer, the amount

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

11 2. For electricity generated during the time period beginning
12 on January 1, 2014, and ending on December 31, 2015, the amount of
13 the credit allowed, but not used, may be refunded to the taxpayer at
14 an amount equal to eighty percent (80%) of the amount eligible to be
15 claimed pursuant to subsection B of this section.

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

22 H. 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~~ during the time

1 period beginning on July 1, 2010, and ending on June 30, 2011, for
2 which the credit would otherwise be allowable ~~until the provisions~~
3 ~~of this subsection shall cease to be operative on July 1, 2011.~~

4 Beginning July 1, 2011, the credit authorized by this section may be
5 claimed for any event, transaction, investment, expenditure or other
6 act occurring ~~on or after~~ during the time period beginning on July
7 1, 2010, and ending on December 31, 2015, according to the
8 provisions of this section. Any tax credits which accrue during the
9 period of July 1, 2010, through June 30, 2011, may not be claimed
10 for any period prior to the taxable year beginning January 1, 2012.
11 No credits which accrue during the period of July 1, 2010, through
12 June 30, 2011, may be used to file an amended tax return for any
13 taxable year prior to the taxable year beginning January 1, 2012.

14 SECTION 13. AMENDATORY 68 O.S. 2011, Section 2357.33, is
15 amended to read as follows:

16 Section 2357.33. A. Except as otherwise provided by subsection
17 E of this section, for taxable years beginning after December 31,
18 1999, and ending before January 1, 2015, there shall be allowed a
19 credit against the tax imposed by Section 2355 of this title for
20 amounts paid by a taxpayer operating one or more food service
21 establishments for immunizations against Hepatitis A for employees
22 of the taxpayer who work in such establishments.

23 B. As used in this section, "food service establishment" means
24 an establishment where food or drink is offered for sale or sold to

1 the public and which is licensed pursuant to the provisions of
2 Section 1-1118 of Title 63 of the Oklahoma Statutes.

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

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

12 E. 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~~ during the time
15 period beginning on July 1, 2010, and ending on June 30, 2012, 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~~ The credit authorized by this section
19 may be claimed for any event, transaction, investment, expenditure
20 or other act occurring ~~on or after~~ during the time period beginning
21 on July 1, 2012, and ending on December 31, 2014, according to the
22 provisions of this section.

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

1 Section 2357.41. A. Except as otherwise provided by subsection
2 I of this section, for tax years beginning after December 31, 2000,
3 and ending before January 1, 2017, there shall be allowed a credit
4 against the tax imposed by Sections 2355 and 2370 of this title or
5 that portion of the tax imposed by Section 624 or 628 of Title 36 of
6 the Oklahoma Statutes that would otherwise have been apportioned to
7 the General Revenue Fund for qualified rehabilitation expenditures
8 incurred in connection with any certified historic hotel or historic
9 newspaper plant building located in an increment or incentive
10 district created pursuant to the Local Development Act or for
11 qualified rehabilitation expenditures incurred after January 1,
12 2006, in connection with any certified historic structure.

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

21 C. All requirements with respect to qualification for the
22 credit authorized by Section 47 of Title 26 of the United States
23 Code shall be applicable to the credit authorized by this section.
24

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

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

14 F. ~~The~~ 1. For qualified expenditures made before January 1,
15 2014, the amount of the credit allowed for any credit claimed for a
16 certified historic hotel or historic newspaper plant building or any
17 certified historic structure, but not used, shall be freely
18 transferable, in whole or in part, to subsequent transferees at any
19 time during the five (5) years following the year of qualification.
20 Any person to whom or to which a tax credit is transferred shall
21 have only such rights to claim and use the credit under the terms
22 that would have applied to the entity by whom or by which the tax
23 credit was transferred. The provisions of this subsection shall not
24 limit the ability of a tax credit transferee to reduce the tax

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

24

1 2. For qualified expenditures made during the time period
2 beginning on January 1, 2014, and ending on December 31, 2016, the
3 amount of the credit allowed, but not used, may be refunded to the
4 taxpayer at an amount equal to eighty percent (80%) of the amount
5 eligible to be claimed pursuant to subsection B of this section.

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

14 H. As used in this section:

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

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

1 Register of Historic Places, or a local district that has been
2 certified by the State Historic Preservation Office as eligible for
3 listing in the National Register of Historic Places; and

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

13 I. 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 until the provisions~~
17 ~~of this subsection shall cease to be operative on July 1, 2012~~
18 except as otherwise provided in this subsection. Beginning July 1,
19 2012, the credit authorized by this section may be claimed for any
20 event, transaction, investment, expenditure or other act occurring
21 on or after July 1, 2010, and before January 1, 2017, according to
22 the provisions of this section. Any tax credits which accrue during
23 the period of July 1, 2010, through June 30, 2012, may not be
24 claimed for any period prior to the taxable year beginning January

1 1, 2012. No credits which accrue during the period of July 1, 2010,
2 through June 30, 2012, may be used to file an amended tax return for
3 any taxable year prior to the taxable year beginning January 1,
4 2012.

5 SECTION 15. AMENDATORY 68 O.S. 2011, Section 2357.46, is
6 amended to read as follows:

7 Section 2357.46. A. Except as otherwise provided by subsection
8 G of this section, for tax years beginning after December 31, 2005,
9 and ending before January 1, 2017, there shall be allowed a credit
10 against the tax imposed by Section 2355 of ~~Title 68 of Oklahoma~~
11 ~~Statutes~~ this title for eligible expenditures incurred by a
12 contractor in the construction of energy efficient residential
13 property of two thousand (2,000) square feet or less. The amount of
14 the credit shall be based upon the following:

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

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

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

4 B. As used in this section:

5 1. "Eligible expenditure" means any:

- 6 a. energy efficient heating or cooling system,
- 7 b. insulation material or system which is specifically
8 and primarily designed to reduce the heat gain or loss
9 of a residential property when installed in or on such
10 property,
- 11 c. exterior windows, including skylights,
- 12 d. exterior doors, and
- 13 e. any metal roof installed on a residential property,
14 but only if such roof has appropriate pigmented
15 coatings which are specifically and primarily designed
16 to reduce the heat gain of such dwelling unit and
17 which meet Energy Star program requirements;

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

21 3. "Eligible energy efficient residential property" means a
22 newly constructed residential property or manufactured home property
23 which is located in the State of Oklahoma and substantially complete
24

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

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

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

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

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

1 annual heating and cooling energy consumption
2 levels,

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

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

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

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

1 annual heating and cooling energy consumption
2 levels.

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

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

13 E. 1. For credits earned ~~on or after the effective date of~~
14 ~~this act~~ during the time period beginning on August 25, 2006, and
15 ending on December 31, 2013, the credits authorized by this section
16 shall be freely transferable to subsequent transferees.

17 2. For credits earned during the time period beginning on
18 January 1, 2014, and ending on December 31, 2016, the amount of any
19 credit allowed, but not used, may be refunded to the taxpayer at an
20 amount equal to eighty percent (80%) of the amount eligible to be
21 claimed pursuant to subsection A of this section.

22 F. The Oklahoma Tax Commission shall promulgate rules necessary
23 to implement this act.

1 G. No credit otherwise authorized by the provisions of this
2 section may be claimed for any event, transaction, investment,
3 expenditure or other act occurring ~~on or after~~ during the time
4 period beginning on July 1, 2010, and ending on June 30, 2012, for
5 which the credit would otherwise be allowable. ~~The provisions of~~
6 ~~this subsection shall cease to be operative on July 1, 2012.~~
7 ~~Beginning July 1, 2012, the~~ The credit authorized by this section
8 may be claimed for any event, transaction, investment, expenditure
9 or other act occurring ~~on or after~~ during the time period beginning
10 on July 1, 2012, and ending on December 31, 2016 , according to the
11 provisions of this section.

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

14 Section 2357.47. A. 1. Except as otherwise provided in
15 subsection D of this section, for tax years beginning after December
16 31, 2005, and ending before January 1, 2015, there shall be allowed
17 against the tax imposed by Section 2355 of this title, a credit for
18 eligible wages paid by an employer to an employee. The amount of
19 the credit shall be ten percent (10%) of the amount of the gross
20 wages paid to the employee for a period not to exceed ninety (90)
21 days but in no event shall the credit exceed Five Thousand Dollars
22 (\$5,000.00) for each employee of each taxpayer. In no event shall
23 the total credit claimed exceed Twenty-five Thousand Dollars
24 (\$25,000.00) in any one year for any taxpayer.

1 2. Except as otherwise provided by subsection D of this
2 section, for tax years beginning after December 31, 2005, and ending
3 before January 1, 2015, there shall be allowed against the tax
4 imposed by Section 2355 of this title, a credit for eligible
5 modification expenses of an employer. The amount of the credit
6 shall be fifty percent (50%) of the amount of the funds expended for
7 eligible modification expenses or new tools or equipment but in no
8 event shall the credit exceed One Thousand Dollars (\$1,000.00) for
9 eligible modification expenses incurred for any single employee. In
10 no event shall the total credit claimed exceed Ten Thousand Dollars
11 (\$10,000.00) in any year for any taxpayer.

12 3. As used in this section:

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

1 (90) days or when the employee has reached maximum
2 medical improvement, and

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

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

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

20 D. 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~~ during the time
23 period beginning on July 1, 2010, and ending on June 30, 2012, 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~~ The credit authorized by this section
3 may be claimed for any event, transaction, investment, expenditure
4 or other act occurring ~~on or after~~ during the time period beginning
5 on July 1, 2012, and ending on December 31, 2014, according to the
6 provisions of this section.

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

9 Section 2357.81. A. Subject to the limitation imposed pursuant
10 to subsection C of Section 842 of Title 62 of the Oklahoma Statutes
11 and except as otherwise provided by subsection F of this section,
12 for taxable years beginning after December 31, 2000, and ending
13 before January 1, 2015, there shall be allowed as a credit against
14 the tax imposed pursuant to Section 2355 of ~~Title 68 of the Oklahoma~~
15 ~~Statutes~~ this title, an amount equal to one hundred percent (100%)
16 of the amount of ad valorem taxes exempted pursuant to the
17 provisions of Section 860 of Title 62 of the Oklahoma Statutes for
18 an enterprise locating a new facility within or expanding an
19 existing facility within an enterprise zone as designated pursuant
20 to Section 690.2 of ~~Title 68 of the Oklahoma Statutes~~ this title if
21 such facility is also located within an incentive district.

22 B. The income tax credit authorized by this section shall only
23 be available, to the extent otherwise allowable and except as
24 otherwise provided by subsection F of this section, for ad valorem

1 taxes for which an exemption has been provided pursuant to Section
2 860 of Title 62 of the Oklahoma Statutes on or after January 1,
3 2001. The county assessor of the county in which the facility is
4 located, or any part of the facility, shall provide an annual
5 certification to the Oklahoma Tax Commission not later than January
6 31 of each calendar year as to the amount of ad valorem taxes which
7 would have been payable by the owner of the facility without the
8 exemption provided by Section 860 of Title 62 of the Oklahoma
9 Statutes.

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

18 D. The credit authorized by this section shall be allowable
19 only to the extent of ad valorem taxes which would have been levied
20 upon the taxable value of real property and improvements physically
21 attached to real property constituting the eligible facility without
22 the exemption provided by Section 860 of Title 62 of the Oklahoma
23 Statutes and shall not be allowable to the extent that the credit is
24 claimed for ad valorem taxes which would have been levied upon the

1 taxable value of personal property of the enterprise even if the
2 incentive granted by the participating governmental entities in the
3 incentive district includes personal property.

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

9 F. No credit otherwise authorized by the provisions of this
10 section may be claimed for any event, transaction, investment,
11 expenditure or other act occurring ~~on or after~~ during the time
12 period beginning on July 1, 2010, and ending on June 30, 2012, 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~~ The credit authorized by this section
16 may be claimed for any event, transaction, investment, expenditure
17 or other act occurring ~~on or after~~ during the time period beginning
18 on July 1, 2012, and ending on December 31, 2014, according to the
19 provisions of this section.

20 SECTION 18. AMENDATORY 68 O.S. 2011, Section 2357.101,
21 is amended to read as follows:

22 Section 2357.101. A. Except as otherwise provided in
23 subsection E of this section, for taxable years beginning after
24 December 31, 2004, and ending before January 1, 2015, there shall be

1 allowed against the tax imposed by Section 2355 of ~~Title 68 of the~~
2 ~~Oklahoma Statutes~~ this title, a credit equal to twenty-five percent
3 (25%) of the amount of profit made by a taxpayer from investment in
4 an existing Oklahoma film or music project with a production company
5 to pay for production costs that is reinvested by the taxpayer with
6 the production company to pay for the production cost of the
7 production company for a new Oklahoma film or music project.

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

11 C. The Oklahoma Tax Commission shall have the authority to
12 prescribe forms for purposes of claiming the credit authorized in
13 subsection A of this section. The forms shall include, but not be
14 limited to, requests for information that prove who the investment
15 was with, the amount of the original investment and the amount of
16 the profit realized from the investment.

17 D. As used in this section:

18 1. "Film" means a professional single media, multimedia program
19 or feature, which is not child pornography as defined in subsection
20 A of Section 1024.1 of Title 21 of the Oklahoma Statutes or obscene
21 material as defined in paragraph 1 of subsection B of Section 1024.1
22 of Title 21 of the Oklahoma Statutes including, but not limited to,
23 national advertising messages that are broadcast on a national
24 affiliate or cable network, fixed on film or digital video, which

1 can be viewed or reproduced and which is exhibited in theaters,
2 licensed for exhibition by individual television stations, groups of
3 stations, networks, cable television stations or other means or
4 licensed for home viewing markets;

5 2. "Music project" means a professional recording released on a
6 national or international level, whether via traditional
7 manufacturing or distributing or electronic distribution, using
8 technology currently in use or future technology including, but not
9 limited to, music CDs, radio commercials, jingles, cues, or
10 electronic device recordings;

11 3. "Production company" means a person who produces a film or
12 music project for exhibition in theaters, on television or
13 elsewhere;

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

- 15 a. wages or salaries of persons who have earned income
16 from working on a film or music project in this state,
17 including payments to personal services corporations
18 with respect to the services of qualified performing
19 artists, as determined under Section 62(a)(A) of the
20 Internal Revenue Code,
- 21 b. the cost of construction and operations, wardrobe,
22 accessories and related services,
- 23 c. the cost of photography, sound synchronization,
24 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, and the denominator of which is total production costs, as defined in paragraph 4 of this subsection, which shall be multiplied by,
- c. the percent of the taxpayer's taxable income allocated to Oklahoma in a taxable year, and
- d. subtract from the result of the formula calculated pursuant to subparagraphs a through c of this paragraph the profit made by a taxpayer from investment in an existing Oklahoma film or music

1 project in previous taxable years. Profit shall
2 include either a net profit or net loss;

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

5 8. a. "Qualified vendor" means an Oklahoma entity which
6 provides goods or services to a production company and
7 for which:

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

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

13 b. For purposes of this paragraph, an employee shall
14 include a self-employed individual reporting income
15 from a qualified vendor on Internal Revenue Service
16 Form 1040.

17 c. The Oklahoma Tax Commission shall prescribe forms by
18 which an entity may be certified to a production
19 company as a qualified vendor for purposes of this
20 section; and

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

1 E. 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~~ during the time
4 period beginning on July 1, 2010, and ending on June 30, 2012, for
5 which the credit would otherwise be allowable. ~~The provisions of~~
6 ~~this subsection shall cease to be operative on July 1, 2012.~~
7 ~~Beginning July 1, 2012, the~~ The credit authorized by this section
8 may be claimed for any event, transaction, investment, expenditure
9 or other act occurring ~~on or after~~ during the time period beginning
10 on July 1, 2012, and ending on December 31, 2014, according to the
11 provisions of this section.

12 SECTION 19. AMENDATORY 68 O.S. 2011, Section 2357.102,
13 is amended to read as follows:

14 Section 2357.102. A. Except as otherwise provided by
15 subsection G of this section, for taxable years beginning after
16 December 31, 2005, and ending before January 1, 2015, there shall be
17 allowed a credit against the tax imposed by Section 2355 of ~~Title 68~~
18 ~~of the Oklahoma Statutes~~ this title for the cost of the purchase of
19 a dry fire hydrant or the cost to provide an acceptable means of
20 water storage for such dry fire hydrant including a pond, tank, or
21 other storage facility with the primary purpose of fire protection
22 within the State of Oklahoma. The credit shall be equal to fifty
23 percent (50%) of the purchase price of the dry fire hydrant or the
24 actual expenditure for any new water storage construction,

1 equipment, development and installation of the dry hydrant,
2 including pipes, valves, hydrants, and labor for each installation
3 of a dry hydrant or new water storage facility but in no event shall
4 the amount of the credit exceed Five Thousand Dollars (\$5,000.00)
5 for each taxpayer.

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

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

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

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

18 C. In no event shall the amount of the credit exceed the amount
19 of any tax liability of the taxpayer.

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

23 E. The Oklahoma Tax Commission and the State Fire Marshal
24 Commission shall promulgate rules to establish the requirements for

1 the construction of a dry fire hydrant or new water storage facility
2 and permit verification of eligibility of a dry fire hydrant or new
3 water storage facility for the credit provided for in subsection A
4 of this section.

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

8 G. No credit otherwise authorized by the provisions of this
9 section may be claimed for any event, transaction, investment,
10 expenditure or other act occurring ~~on or after~~ during the time
11 period beginning on July 1, 2010, and ending on June 30, 2012, for
12 which the credit would otherwise be allowable. ~~The provisions of~~
13 ~~this subsection shall cease to be operative on July 1, 2012.~~
14 ~~Beginning July 1, 2012, the~~ The credit authorized by this section
15 may be claimed for any event, transaction, investment, expenditure
16 or other act occurring ~~on or after~~ during the time period beginning
17 on July 1, 2012, and ending on December 31, 2014, according to the
18 provisions of this section.

19 SECTION 20. AMENDATORY 68 O.S. 2011, Section 2357.104,
20 is amended to read as follows:

21 Section 2357.104. A. Except as otherwise provided by
22 subsection G of this section, for taxable years beginning after
23 December 31, 2005, and ending before January 1, 2017, there shall be
24 allowed a credit against the tax imposed by Section 2355 of this

1 title equal to fifty percent (50%) of an eligible taxpayer's
2 qualified railroad reconstruction or replacement expenditures.

3 B. 1. Except as provided in paragraph 2 of this subsection,
4 the amount of the credit shall be limited to the product of Five
5 Hundred Dollars (\$500.00) for tax year 2007 and Two Thousand Dollars
6 (\$2,000.00) for tax year 2008 and subsequent tax years and the
7 number of miles of railroad track owned or leased within this state
8 by the eligible taxpayer as of the close of the taxable year.

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

15 C. ~~The~~ 1. For expenditures made before January 1, 2014, the
16 credit allowed pursuant to subsection A of this section but not used
17 shall be freely transferable, by written agreement, to subsequent
18 transferees at any time during the five (5) years following the year
19 of qualification. An eligible transferee shall be any taxpayer
20 subject to the tax imposed by Section 2355 of this title. The
21 person originally allowed the credit and the subsequent transferee
22 shall jointly file a copy of the written credit transfer agreement
23 with the Oklahoma Tax Commission within thirty (30) days of the
24 transfer. The written agreement shall contain the name, address and

1 taxpayer identification number of the parties to the transfer, the
2 amount of credit being transferred, the year the credit was
3 originally allowed to the transferring person and the tax year or
4 years for which the credit may be claimed. The Tax Commission shall
5 promulgate rules to permit verification of the timeliness of a tax
6 credit claimed upon a tax return pursuant to this subsection but
7 shall not promulgate any rules which unduly restrict or hinder the
8 transfers of such tax credit. The Department of Transportation
9 shall promulgate rules to permit verification of the eligibility of
10 an eligible taxpayer's expenditures for the purpose of claiming the
11 credit. The rules shall provide for the approval of qualified
12 railroad reconstruction or replacement expenditures prior to
13 commencement of a project and provide a certificate of verification
14 upon completion of a project that uses qualified railroad
15 reconstruction or replacement expenditures. The certificate of
16 verification shall satisfy all requirements of the Tax Commission
17 pertaining to the eligibility of the person claiming the credit.

18 2. For expenditures made during the time period beginning on
19 January 1, 2014, and ending on December 31, 2016, the amount of the
20 credit allowed, but not used, may be refunded to the taxpayer at an
21 amount equal to eighty percent (80%) of the amount eligible to be
22 claimed pursuant to subsections A and B of this section.

23 D. Any credits allowed pursuant to the provisions of subsection
24 A of this section but not used in any tax year may be carried over

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

3 E. A taxpayer who elects to increase the limitation on the
4 credit under paragraph 2 of subsection B of this section shall not
5 be granted additional credits under subsection A of this section
6 during the period of such election.

7 F. As used in this section:

8 1. "Class II and Class III railroad" means a railroad that is
9 classified by the United States Surface Transportation Board as a
10 Class II or Class III railroad;

11 2. "Eligible taxpayer" means any Class II or Class III
12 railroad; and

13 3. "Qualified railroad reconstruction or replacement
14 expenditures" means expenditures for:

- 15 a. reconstruction or replacement of railroad
16 infrastructure including track, roadbed, bridges,
17 industrial leads and track-related structures owned or
18 leased by a Class II or Class III railroad as of
19 January 1, 2006, or
20 b. new construction of industrial leads, switches, spurs
21 and sidings and extensions of existing sidings by a
22 Class II or Class III railroad.

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

1 expenditure or other act occurring ~~on or after~~ during the time
2 period beginning on July 1, 2010, and ending on June 30, 2012, for
3 which the credit would otherwise be allowable. ~~The provisions of~~
4 ~~this subsection shall cease to be operative on July 1, 2012.~~
5 ~~Beginning July 1, 2012, the~~ The credit authorized by this section
6 may be claimed for any event, transaction, investment, expenditure
7 or other act occurring ~~on or after~~ during the time period beginning
8 on July 1, 2012, and ending on December 31, 2016, according to the
9 provisions of this section.

10 SECTION 21. AMENDATORY 68 O.S. 2011, Section 2357.203,
11 is amended to read as follows:

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

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

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

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

4 B. Except as provided in subsection F of this section, for
5 taxable years beginning after December 31, 2005, and ending before
6 January 1, 2015, there shall be allowed a credit against the tax
7 imposed pursuant to Section 2355 of ~~Title 68 of the Oklahoma~~
8 ~~Statutes~~ this title in the amount of fifty percent (50%) of the
9 qualified direct costs associated with the operation of a business
10 enterprise the principal purpose of which is the rearing of
11 specially trained canines.

12 C. The provisions of this section shall not be applicable to
13 nonqualified operating expenditures.

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

19 E. The Oklahoma Tax Commission shall be authorized to prescribe
20 such forms as may be necessary in order to administer the tax credit
21 authorized by this section. The Tax Commission may request such
22 additional documentation as may be required from the taxpayer in
23 order to verify the eligibility for the credit authorized by this
24 section.

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~~ during the time
4 period beginning on July 1, 2010, and ending on June 30, 2012, for
5 which the credit would otherwise be allowable. ~~The provisions of~~
6 ~~this subsection shall cease to be operative on July 1, 2012.~~
7 ~~Beginning July 1, 2012, the~~ The credit authorized by this section
8 may be claimed for any event, transaction, investment, expenditure
9 or other act occurring ~~on or after~~ during the time period beginning
10 on July 1, 2012, and ending on December 31, 2014, according to the
11 provisions of this section.

12 SECTION 22. AMENDATORY 68 O.S. 2011, Section 2357.402,
13 is amended to read as follows:

14 Section 2357.402. A. As used in this section:

15 1. "Electric motor vehicle" means a new motor vehicle
16 originally equipped to be propelled only by electricity and that may
17 be legally operated on both interstate highways and turnpikes in
18 this state and that is eligible for registration pursuant to the
19 Oklahoma Vehicle License and Registration Act. The term does not
20 include:

- 21 a. medium-speed electric motor vehicles, or
- 22 b. low-speed electric motor vehicles;

23 2. "Electric motor vehicle manufacturer" means an entity that
24 has received a manufacturer exemption permit pursuant to the

1 provisions of Section 1359.2 of ~~Title 68 of the Oklahoma Statutes~~
2 this title. Adding modifications to existing electric motor
3 vehicles, existing medium-speed electric motor vehicles or existing
4 low-speed electric motor vehicles shall not be considered
5 manufacturing for purposes of this section;

6 3. "Low-speed electric motor vehicle" means a new four-wheeled
7 electrical vehicle that is powered by an electric motor that draws
8 current from rechargeable storage batteries or other sources of
9 electrical current and whose top speed is greater than twenty (20)
10 miles per hour but not greater than twenty-five (25) miles per hour
11 and is manufactured in compliance with the National Highway Traffic
12 Safety Administration standards as contained in 49 C.F.R. 571.500.
13 In order to be eligible the vehicle must be eligible for
14 registration pursuant to the Oklahoma Vehicle License and
15 Registration Act; and

16 4. "Medium-speed electric motor vehicle" means any self-
17 propelled, electrically powered four-wheeled motor vehicle, equipped
18 with a roll cage or crush-proof body design, whose speed attainable
19 in one (1) mile is more than thirty (30) miles per hour but not
20 greater than thirty-five (35) miles per hour and, other than the
21 speed requirement, is manufactured in compliance with the National
22 Highway Traffic Safety Administration standards as contained in 49
23 C.F.R. 571.500. In order to be eligible the vehicle must be
24

1 eligible for registration pursuant to the Oklahoma Vehicle License
2 and Registration Act.

3 B. ~~There~~ For taxable years ending before January 1, 2015, there
4 shall be allowed a one-time credit to electric motor vehicle
5 manufacturers against the income tax imposed by Section 2355 of
6 ~~Title 68 of the Oklahoma Statutes~~ this title for electric motor
7 vehicles, medium-speed electric motor vehicles and low-speed
8 electric motor vehicles manufactured after June 30, 2010.

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

11 1. For an electric motor vehicle defined in paragraph 1 of
12 subsection A of this section a per-vehicle-manufactured credit of
13 Two Thousand Dollars (\$2,000.00);

14 2. For a medium-speed electric motor vehicle defined in
15 paragraph 4 of subsection A of this section a per-vehicle-
16 manufactured credit of One Thousand Dollars (\$1,000.00); and

17 3. For a low-speed electric motor vehicle defined in paragraph
18 3 of subsection A of this section a per-vehicle-manufactured credit
19 of Five Hundred Dollars (\$500.00).

20 D. If the tax credit allowed pursuant to this section exceeds
21 the amount of income taxes due or if there are no state income taxes
22 due on the income of the taxpayer, the amount of the credit not used
23 as an offset against the income taxes of a taxable year may be
24

1 carried forward as a credit against subsequent income tax liability
2 for a period not to exceed five (5) years.

3 E. The Oklahoma Tax Commission is herein empowered to
4 promulgate rules by which the purpose of this section shall be
5 administered.

6 F. The credit authorized by this section shall not be claimed
7 with respect to any one vehicle based upon multiple definitions as
8 set out in subsection A of this section even if such vehicle would
9 otherwise qualify for tax credits based upon qualification pursuant
10 to more than one definition.

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

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

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

20 1. There shall be added interest income on obligations of any
21 state or political subdivision thereto which is not otherwise
22 exempted pursuant to other laws of this state, to the extent that
23 such interest is not included in taxable income and adjusted gross
24 income.

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

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

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

16 b. For carryovers and carrybacks to taxable years
17 beginning after December 31, 1980, the amount of any
18 net operating loss deduction allowed for the taxable
19 year shall be an amount equal to the aggregate of the
20 Oklahoma net operating loss carryovers and carrybacks
21 to such year. Oklahoma net operating losses shall be
22 separately determined by reference to Section 172 of
23 the Internal Revenue Code, 26 U.S.C., Section 172, as
24 modified by the Oklahoma Income Tax Act, Section 2351

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

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

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

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

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

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

1 business situs insofar as distributed income is
2 concerned,

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

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

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

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

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

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

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

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

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

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

19 e. In the case of insurance companies, Oklahoma taxable
20 income shall be taxable income of the taxpayer for
21 federal tax purposes, as adjusted for the adjustments
22 provided pursuant to the provisions of paragraphs 1
23 and 2 of this subsection, apportioned as follows:
24

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 pursuant to the provisions of this subsection.

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

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

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

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

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

4 For purposes of this paragraph:

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

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

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

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

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

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

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

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

15 8. In taxable years beginning after December 31, 1995, and
16 ending before January 1, 2015, all qualified wages equal to the
17 federal income tax credit set forth in 26 U.S.C.A., Section 45A,
18 shall be deducted from taxable income. The deduction allowed
19 pursuant to this paragraph shall only be permitted for the tax years
20 in which the federal tax credit pursuant to 26 U.S.C.A., Section
21 45A, is allowed. For purposes of this paragraph, "qualified wages"
22 means those wages used to calculate the federal credit pursuant to
23 26 U.S.C.A., Section 45A.

1 9. In taxable years beginning after December 31, 2005, and
2 ending before January 1, 2015, an employer that is eligible for and
3 utilizes the Safety Pays OSHA Consultation Service provided by the
4 Oklahoma Department of Labor shall receive an exemption from taxable
5 income in the amount of One Thousand Dollars (\$1,000.00) for the tax
6 year that the service is utilized.

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

17 B. 1. The taxable income of any corporation shall be further
18 adjusted to arrive at Oklahoma taxable income, except those
19 corporations electing treatment as provided in subchapter S of the
20 Internal Revenue Code, 26 U.S.C., Section 1361 et seq., and Section
21 2365 of this title, deductions pursuant to the provisions of the
22 Accelerated Cost Recovery System as defined and allowed in the
23 Economic Recovery Tax Act of 1981, Public Law 97-34, 26 U.S.C.,
24 Section 168, for depreciation of assets placed into service after

1 December 31, 1981, shall not be allowed in calculating Oklahoma
2 taxable income. Such corporations shall be allowed a deduction for
3 depreciation of assets placed into service after December 31, 1981,
4 in accordance with provisions of the Internal Revenue Code, 26
5 U.S.C., Section 1 et seq., in effect immediately prior to the
6 enactment of the Accelerated Cost Recovery System. The Oklahoma tax
7 basis for all such assets placed into service after December 31,
8 1981, calculated in this section shall be retained and utilized for
9 all Oklahoma income tax purposes through the final disposition of
10 such assets.

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

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

24

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

7 C. 1. For taxable years beginning after December 31, 1987, and
8 ending before January 1, 2015, the taxable income of any corporation
9 shall be further adjusted to arrive at Oklahoma taxable income for
10 transfers of technology to qualified small businesses located in
11 Oklahoma. Such transferor corporation shall be allowed an exemption
12 from taxable income of an amount equal to the amount of royalty
13 payment received as a result of such transfer; provided, however,
14 such amount shall not exceed ten percent (10%) of the amount of
15 gross proceeds received by such transferor corporation as a result
16 of the technology transfer. Such exemption shall be allowed for a
17 period not to exceed ten (10) years from the date of receipt of the
18 first royalty payment accruing from such transfer. No exemption may
19 be claimed for transfers of technology to qualified small businesses
20 made prior to January 1, 1988.

21 2. For purposes of this subsection:

22 a. "Qualified small business" means an entity, whether
23 organized as a corporation, partnership, or
24 proprietorship, organized for profit with its

principal place of business located within this state and which meets the following criteria:

- (1) Capitalization of not more than Two Hundred Fifty Thousand Dollars (\$250,000.00),
- (2) Having at least fifty percent (50%) of its employees and assets located in Oklahoma at the time of the transfer, and
- (3) Not a subsidiary or affiliate of the transferor corporation;

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

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

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

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

1 capital treatment earned by the corporation, estate or trust during
2 the taxable year and included in the federal taxable income of such
3 corporation, estate or trust.

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 the
8 federal income tax return of the corporation, estate
9 or trust that 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 corporation,
13 estate or trust for a holding period of at least
14 five (5) years prior to the date of the
15 transaction from which such net capital gains
16 arise,

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

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

18 c. "Oklahoma company", "limited liability company", or
19 "partnership" means an entity whose primary
20 headquarters have been located in Oklahoma for at
21 least three (3) uninterrupted years prior to the date
22 of the transaction from which the net capital gains
23 arise,
24

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

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

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

20 (2) With respect to sales of stock or ownership
21 interest in or sales of all or substantially all
22 of the assets of an Oklahoma company, limited
23 liability company, or partnership, the deduction
24 described in this subsection shall not apply

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

11 E. The Oklahoma adjusted gross income of any individual
12 taxpayer shall be further adjusted as follows to arrive at Oklahoma
13 taxable income:

- 14 1. a. ~~In~~ Except as provided in this subparagraph, in the
15 case of individuals, there shall be added or deducted,
16 as the case may be, the difference necessary to allow
17 personal exemptions of One Thousand Dollars
18 (\$1,000.00) in lieu of the personal exemptions allowed
19 by the Internal Revenue Code. For the taxable years
20 beginning on or after January 1, 2015, personal
21 exemptions shall not be allowed if the taxpayer claims
22 less than four (4) personal exemptions and if the
23 Oklahoma adjusted gross income is more than Thirty-
24 five Thousand Dollars (\$35,000.00) for single

individuals and married individuals filing separately
or Seventy Thousand Dollars (\$70,000.00) for married
individuals filing jointly, a 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 or a head of household as
defined in the Internal Revenue Code.

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

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

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

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

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

3. a. (1) For taxable years beginning on or after January 1, 2015, if the federal adjusted gross income reflected on the Oklahoma return for single individuals or married individuals filing separately is in excess of One Hundred Thousand Dollars (\$100,000.00), in the case of a taxpayer who itemizes deductions, the amount allowed shall be equal to eighty percent (80%) of the total itemized deductions claimed by the taxpayer on the federal income tax return.

1 (2) For taxable years beginning on or after January
2 1, 2015, if the federal adjusted gross income
3 reflected on the Oklahoma return for married
4 individuals filing jointly, a surviving spouse to
5 the extent and in the manner that a surviving
6 spouse is permitted to file a joint return under
7 the provisions of the Internal Revenue Code, and
8 heads of households as defined in the Internal
9 Revenue Code, is in excess of Two Hundred
10 Thousand Dollars (\$200,000.00), in the case of a
11 taxpayer who itemizes deductions, the amount
12 allowed shall be equal to eighty percent (80%) of
13 the total itemized deductions claimed by the
14 taxpayer on the federal income tax return.

15 b. In the case of resident and part-year resident
16 individuals having adjusted gross income from sources
17 both within and without the state, the itemized or
18 standard deductions and personal exemptions shall be
19 reduced to an amount which is the same portion of the
20 total thereof as Oklahoma adjusted gross income is of
21 adjusted gross income. To the extent itemized
22 deductions include allowable moving expense, proration
23 of moving expense shall not be required or permitted
24 but allowable moving expense shall be fully deductible

1 for those taxpayers moving within or into Oklahoma and
2 no part of moving expense shall be deductible for
3 those taxpayers moving without or out of Oklahoma.
4 All other itemized or standard deductions and personal
5 exemptions shall be subject to proration as provided
6 by law.

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

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

- 1 b. On or after July 1, 2010, and ending before January 1,
2 2015, one hundred percent (100%) of the income
3 received by any person from the United States as
4 salary or compensation in any form, other than
5 retirement benefits, as a member of any component of
6 the Armed Forces of the United States shall be
7 deducted from taxable income.
- 8 c. For the taxable year beginning on January 1, 2015, and
9 every year thereafter, if the State Board of
10 Equalization makes a determination pursuant to Section
11 2355.1D of this title that, for the purposes of this
12 paragraph, revenue collections exceed revenue
13 reductions, the one hundred percent (100%) deduction
14 provided for in subparagraph b of this paragraph may
15 be claimed.
- 16 d. For the taxable year beginning on January 1, 2015, and
17 every year thereafter, if the State Board of
18 Equalization makes a determination pursuant to Section
19 2355.1D of this title that, for the purposes of this
20 paragraph, revenue collections do not exceed revenue
21 reductions, a deduction of the first One Thousand Five
22 Hundred Dollars (\$1,500.00) received by any person
23 from the United States as salary or compensation in
24 any form, other than retirement benefits, as a member

1 of any component of the Armed Forces of the United
2 States shall be allowed.

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

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

10 (2) absence from the State of Oklahoma while on
11 active duty; or

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

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

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

1 hospital if the extension is granted
2 pursuant to subparagraph c of this
3 paragraph; or

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

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

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

23 7. Notwithstanding anything in the Internal Revenue Code or in
24 the Oklahoma Income Tax Act to the contrary, for taxable years

1 occurring before January 1, 2015, it is expressly provided that, in
2 the case of resident individuals, amounts received as dividends or
3 distributions of earnings from savings and loan associations or
4 credit unions located in Oklahoma, and interest received on savings
5 accounts and time deposits from such sources or from state and
6 national banks or trust companies located in Oklahoma, shall qualify
7 as dividends for the purpose of the dividend exclusion, and taxable
8 income shall be adjusted accordingly to arrive at Oklahoma taxable
9 income; provided, however, that the dividend, distribution of
10 earnings and/or interest exclusion provided for hereinabove shall
11 not be cumulative to the maximum dividend exclusion allowed by the
12 Internal Revenue Code. Any dividend exclusion already allowed by
13 the Internal Revenue Code and reflected in the taxpayer's Oklahoma
14 taxable income together with exclusion allowed herein shall not
15 exceed the total of One Hundred Dollars (\$100.00) per individual or
16 Two Hundred Dollars (\$200.00) per couple filing a joint return.

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

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

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

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

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

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

1 Dollars (\$10,000.00) for the 2006 tax year and all subsequent tax
2 years, which are received by an individual from the civil service of
3 the United States, the Oklahoma Public Employees Retirement System,
4 the Teachers' Retirement System of Oklahoma, the Oklahoma Law
5 Enforcement Retirement System, the Oklahoma Firefighters Pension and
6 Retirement System, the Oklahoma Police Pension and Retirement
7 System, the employee retirement systems created by counties pursuant
8 to Section 951 et seq. of Title 19 of the Oklahoma Statutes, the
9 Uniform Retirement System for Justices and Judges, the Oklahoma
10 Wildlife Conservation Department Retirement Fund, the Oklahoma
11 Employment Security Commission Retirement Plan, or the employee
12 retirement systems created by municipalities pursuant to Section 48-
13 101 et seq. of Title 11 of the Oklahoma Statutes shall be exempt
14 from taxable income.

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

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

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

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

15 13. For taxable years beginning after December 31, 1996, and
16 ending before January 1, 2015, the Oklahoma adjusted gross income of
17 any individual taxpayer who is a swine or poultry producer may be
18 further adjusted for the deduction for depreciation allowed for new
19 construction or expansion costs which may be computed using the same
20 depreciation method elected for federal income tax purposes except
21 that the useful life shall be seven (7) years for purposes of this
22 paragraph. If depreciation is allowed as a deduction in determining
23 the adjusted gross income of an individual, any depreciation
24 calculated and claimed pursuant to this section shall in no event be

1 a duplication of any depreciation allowed or permitted on the
2 federal income tax return of the individual.

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

6 (1) the adoption of a minor, or

7 (2) a proposed adoption of a minor which did not
8 result in a decreed adoption,

9 may be deducted from the Oklahoma adjusted gross
10 income.

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

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

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

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

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

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

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

- 7 (1) in taxable years beginning after December 31,
8 2004, and prior to January 1, 2007, the
9 qualifying amount shall be Thirty-seven Thousand
10 Five Hundred Dollars (\$37,500.00) or less if the
11 filing status is single, head of household, or
12 married filing separate, or Seventy-Five Thousand
13 Dollars (\$75,000.00) or less if the filing status
14 is married filing jointly or qualifying widow,
- 15 (2) in the taxable year beginning January 1, 2007,
16 the qualifying amount shall be Fifty Thousand
17 Dollars (\$50,000.00) or less if the filing status
18 is single, head of household, or married filing
19 separate, or One Hundred Thousand Dollars
20 (\$100,000.00) or less if the filing status is
21 married filing jointly or qualifying widow,
- 22 (3) in the taxable year beginning January 1, 2008,
23 the qualifying amount shall be Sixty-two Thousand
24 Five Hundred Dollars (\$62,500.00) or less if the

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

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

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

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

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

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

d. The amount of the exemption provided by this paragraph shall be limited to Five Thousand Five Hundred Dollars (\$5,500.00) for the 2004 tax year, Seven Thousand Five Hundred Dollars (\$7,500.00) for the 2005 tax year and Ten Thousand Dollars (\$10,000.00) for the tax year 2006 and for all subsequent tax years. Any individual who claims the exemption provided for in paragraph 9

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

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

17 17. In taxable years beginning after December 31, 2000, and
18 ending before January 1, 2015, an amount equal to one hundred
19 percent (100%) of the amount of any scholarship or stipend received
20 from participation in the Oklahoma Police Corps Program, as
21 established in Section 2-140.3 of Title 47 of the Oklahoma Statutes
22 shall be exempt from taxable income.

23 18. a. In taxable years beginning after December 31, 2001,
24 and before January 1, 2005, there shall be allowed a

1 deduction in the amount of contributions to accounts
2 established pursuant to the Oklahoma College Savings
3 Plan Act. The deduction shall equal the amount of
4 contributions to accounts, but in no event shall the
5 deduction for each contributor exceed Two Thousand
6 Five Hundred Dollars (\$2,500.00) each taxable year for
7 each account.

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

1 taken for contributions and rollovers made during a
2 taxable year and up to April 15 of the succeeding
3 year, or the due date of a taxpayer's state income tax
4 return, excluding extensions, whichever is later.

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

7 c. In taxable years beginning after December 31, 2006,
8 deductions for contributions made pursuant to
9 subparagraph b of this paragraph shall be limited as
10 follows:

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

18 (2) for a taxpayer who elects to take a rollover or
19 nonqualified withdrawal within the same tax year
20 in which a contribution was made to the
21 taxpayer's account, the tax deduction otherwise
22 available pursuant to subparagraph b of this
23 paragraph shall be reduced by the amount of the
24

1 contribution which is equal to the rollover or
2 nonqualified withdrawal.

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

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

16 f. As used in this paragraph:

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

20 (a) a qualified withdrawal,

21 (b) a withdrawal made as a result of the death
22 or disability of the designated beneficiary
23 of an account,

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

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

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

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

23 20. For taxable years beginning after December 31, 2006,
24 retirement benefits received by federal civil service retirees,

1 including survivor annuities, paid in lieu of Social Security
2 benefits shall be exempt from taxable income to the extent such
3 benefits are included in the federal adjusted gross income pursuant
4 to the provisions of Section 86 of the Internal Revenue Code, 26
5 U.S.C., Section 86, according to the following schedule:

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

- 17 21. a. For taxable years beginning after December 31, 2007,
18 and ending before January 1, 2015, a resident
19 individual may deduct up to Ten Thousand Dollars
20 (\$10,000.00) from Oklahoma adjusted gross income if
21 the individual, or the dependent of the individual,
22 while living, donates one or more human organs of the
23 individual to another human being for human organ
24 transplantation. As used in this paragraph, "human

organ" means all or part of a liver, pancreas, kidney, intestine, lung, or bone marrow. A deduction that is claimed under this paragraph may be claimed in the taxable year in which the human organ transplantation occurs.

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

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

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

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

1 24. For taxable years beginning after December 31, 2008, and
2 ending before January 1, 2015, there shall be exempt from taxable
3 income any payment in an amount less than Six Hundred Dollars
4 (\$600.00) received by a person as an award for participation in a
5 competitive livestock show event. For purposes of this paragraph,
6 the payment shall be treated as a scholarship amount paid by the
7 entity sponsoring the event and the sponsoring entity shall cause
8 the payment to be categorized as a scholarship in its books and
9 records.

10 25. For taxable years beginning on or after January 1, 2015,
11 taxable income shall be increased by any amount of state and local
12 taxes deducted under Section 164 of the Internal Revenue Code, 26
13 U.S.C., Section 164. If the amount of state and local taxes
14 deducted on the Oklahoma return is limited, taxable income on the
15 Oklahoma return shall be increased only by the amount actually
16 deducted after any such limitations are applied.

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

22 2. As used in this subsection:

23 a. "qualifying gains receiving capital treatment" means
24 the amount of net capital gains, as defined in Section

1 1222(11) of the Internal Revenue Code, included in an
2 individual taxpayer's federal income tax return that
3 result from:

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

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

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

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

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

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

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

22 e. "indirect" means the individual taxpayer owns an
23 interest in a pass-through entity (or chain of pass-
24

1 through entities) that sells the asset that gives rise
2 to the qualifying gains receiving capital treatment.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 taxable income, as computed in the
2 jurisdiction in which it is organized, to
3 the holders of its shares or certificates of
4 beneficial interest on an annual basis,

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

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

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

19 4. A real estate investment trust that does not become
20 regularly traded on an established securities market within one (1)
21 year of the date on which it first becomes a real estate investment
22 trust shall be deemed not to have been regularly traded on an
23 established securities market, retroactive to the date it first
24 became a real estate investment trust, and shall file an amended

1 return reflecting such retroactive designation for any tax year or
2 part year occurring during its initial year of status as a real
3 estate investment trust. For purposes of this subsection, a real
4 estate investment trust becomes a real estate investment trust on
5 the first day it has both met the requirements of Section 856 of the
6 Internal Revenue Code and has elected to be treated as a real estate
7 investment trust pursuant to Section 856(c)(1) of the Internal
8 Revenue Code.

9 SECTION 24. AMENDATORY 68 O.S. 2011, Section 2358.3, is
10 amended to read as follows:

11 Section 2358.3. A For taxable years beginning before January 1,
12 2015, a person who contributes money to a political party or to a
13 candidate or candidate committee shall be entitled to deduct the
14 amount contributed, not to exceed One Hundred Dollars (\$100.00) in
15 any one tax year, from the person's adjusted gross income in the
16 computation of Oklahoma income tax.

17 SECTION 25. AMENDATORY 68 O.S. 2011, Section 2370, is
18 amended to read as follows:

19 Section 2370. A. For taxable years beginning after December
20 31, 1989, for the privilege of doing business within this state,
21 every state banking association, national banking association and
22 credit union organized under the laws of this state, located or
23 doing business within the limits of the State of Oklahoma shall
24 annually pay to this state a privilege tax at the rate of six

1 percent (6%) of the amount of the taxable income as provided in this
2 section.

3 B. 1. The privilege tax levied by this section shall be in
4 addition to the Business Activity Tax levied in Section 1218 of this
5 title and the franchise tax levied in Article 12 of this title and
6 in lieu of the tax levied by Section 2355 of this title and in lieu
7 of all taxes levied by the State of Oklahoma, or any subdivision
8 thereof, upon the shares of stock or personal property of any
9 banking association or credit union subject to taxation under this
10 section.

11 2. Nothing in this section shall be construed to exempt the
12 real property of any banking associations or credit unions from
13 taxation to the same extent, according to its value, as other real
14 property is taxed. Nothing herein shall be construed to exempt an
15 association from payment of any fee or tax authorized or levied
16 pursuant to the banking laws.

17 3. Personal property which is subject to a lease agreement
18 between a bank or credit union, as lessor, and a nonbanking business
19 entity or individual, as lessee, is not exempt from personal
20 property ad valorem taxation. Provided further, that it shall be
21 the duty of the lessee of such personal property to return sworn
22 lists or schedules of their taxable property within each county to
23 the county assessor of such county as provided in Sections 2433 and
24 2434 of this title.

1 C. Any tax levied under this section shall accrue on the last
2 day of the taxable year and be payable as provided in Section 2375
3 of this title. The accrual of such tax for the first taxable year
4 to which this act applies, shall apply notwithstanding the prior
5 accrual of a tax in the same taxable year based upon the net income
6 of the next preceding taxable year; provided, however, any
7 additional deduction enuring to the benefit of the taxpayer shall be
8 deducted in accordance with the optional transitional deduction
9 procedures in Section 2354 of this title.

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

14 1. There shall be deducted all interest income on obligations
15 of the United States government and agencies thereof not otherwise
16 exempted and all interest income on obligations of the State of
17 Oklahoma or political subdivisions thereof, including public trust
18 authorities, not otherwise exempted under the laws of this state;
19 and

20 2. Expense deductions claimed in arriving at taxable income
21 under paragraph 10 of Section 2353 of this title shall be reduced by
22 an amount equal to fifty percent (50%) of excluded interest income
23 on obligations of the United States government or agencies thereof
24

1 and obligations of the State of Oklahoma or political subdivisions
2 thereof.

3 E. 1. Except as otherwise provided in paragraph 2 of this
4 subsection, for taxable years ending before January 1, 2015, there
5 shall be allowed a credit against the tax levied in subsection A of
6 this section in an amount equal to the amount of taxable income
7 received by a participating financial institution as defined in
8 Section 90.2 of Title 62 of the Oklahoma Statutes pursuant to a loan
9 made under the Rural Economic Development Loan Act. Such credit
10 shall be limited each year to five percent (5%) of the amount of
11 annual payroll certified by the Oklahoma Rural Economic Development
12 Loan Program Review Board pursuant to the provisions of paragraph 3
13 of subsection B of Section 90.4 of Title 62 of the Oklahoma Statutes
14 with respect to the loan made by the participating financial
15 institution and may be claimed for any number of years necessary
16 until the amount of total credits claimed is equal to the total
17 amount of taxable income received by the participating financial
18 institution pursuant to the loan. Any credit allowed but not used
19 in a taxable year may be carried forward for a period not to exceed
20 five (5) taxable years. In no event shall a credit allowed pursuant
21 to the provisions of this subsection be transferable or refundable.

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

1 the time period beginning on July 1, 2010, and ending on June 30,
2 2012, for which the credit would otherwise be allowable. ~~The~~
3 ~~provisions of this paragraph shall cease to be operative on July 1,~~
4 ~~2012. Beginning July 1, 2012, the~~ The credit authorized by this
5 ~~subsection~~ section may be claimed for any event, transaction,
6 investment, expenditure or other act occurring ~~on or after~~ during
7 the time period beginning on July 1, 2012, and ending on December
8 31, 2014, according to the provisions of this ~~subsection~~ section.

9 SECTION 26. AMENDATORY 68 O.S. 2011, Section 2370.3, is
10 amended to read as follows:

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

18 B. Except as provided in subsection F of this section, the
19 credit authorized by this section may be claimed for origination
20 fees paid on or after July 1, 2007, and before January 1, 2015.

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

1 Department of Education origination fee to the amount financed by
2 the borrower or in any other way recovers the origination fee amount
3 from the borrower.

4 D. The credit authorized by this section may be claimed, and if
5 not fully used in the initial year for which the credit is claimed,
6 may be carried over, in order, to each of the five (5) succeeding
7 taxable years. The credit authorized by this section may not be
8 used to reduce the tax liability of the credit claimant below zero
9 (0).

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

15 F. No credit otherwise authorized by the provisions of this
16 section may be claimed for any event, transaction, investment,
17 expenditure or other act occurring ~~on or after~~ during the time
18 period beginning on July 1, 2010, and ending on June 30, 2012, for
19 which the credit would otherwise be allowable. ~~The provisions of~~
20 ~~this subsection shall cease to be operative on July 1, 2012.~~
21 ~~Beginning July 1, 2012, the~~ The credit authorized by this section
22 may be claimed for any event, transaction, investment, expenditure
23 or other act occurring ~~on or after~~ during the time period beginning
24

1 on July 1, 2012, and ending on December 31, 2014, according to the
2 provisions of this section.

3 SECTION 27. AMENDATORY 68 O.S. 2011, Section 54006, is
4 amended to read as follows:

5 Section 54006. A. Except as provided in subsection F of this
6 section, for taxable years beginning after December 31, 1992, and
7 before January 1, 2003, and for taxable years beginning after
8 December 31, 2005, and before January 1, 2015, there shall be
9 allowed a credit against the tax imposed by Section 2355 of this
10 title for a net increase in the number of full-time-equivalent
11 employees engaged in computer services, data processing or research
12 and development as defined in Section 54003 of this title, in this
13 state including employees engaged in support services.

14 B. The credit provided for in subsection A of this section
15 shall be allowed in each of the four (4) subsequent years only if
16 the level of new employees is maintained in the subsequent year;
17 provided, such credit shall be allowed in each of the eight (8)
18 subsequent years only if the level of new employees is maintained in
19 the subsequent year and if the credit is taken for taxable years
20 beginning after December 31, 2005. In calculating the credit by the
21 number of new employees, only those employees whose paid wages or
22 salary were at least Thirty-five Thousand Dollars (\$35,000.00)
23 during each year the credit is claimed shall be included in the
24 calculation. The number of new employees shall be determined by

1 comparing the monthly average number of full-time employees subject
2 to Oklahoma income tax withholding for the final quarter of the
3 taxable year with the corresponding period of the prior taxable
4 year, as substantiated by such reports as may be required by the Tax
5 Commission.

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

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

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

1 year of qualification and to the extent not used in those years in
2 order to each of the five (5) years following the initial five-year
3 period.

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~~ during the time
7 period beginning on July 1, 2010, and ending on June 30, 2012, for
8 which the credit would otherwise be allowable. ~~The provisions of~~
9 ~~this subsection shall cease to be operative on July 1, 2012.~~
10 ~~Beginning July 1, 2012, the~~ The credit authorized by this section
11 may be claimed for any event, transaction, investment, expenditure
12 or other act occurring ~~on or after~~ during the time period beginning
13 on July 1, 2012, and ending on December 31, 2014, according to the
14 provisions of this section.

15 SECTION 28. AMENDATORY 74 O.S. 2011, Section 5075, is
16 amended to read as follows:

17 Section 5075. A. ~~Income~~ For taxable years ending before
18 January 1, 2015, income earned by a sponsor from rental fees,
19 service fees or any other form of payment for services provided to a
20 tenant as an operator of an incubator, or for providing funding for
21 such a facility, shall be exempt from state income tax for a period
22 not to exceed ten (10) years from the date of the tenant's occupancy
23 in an incubator.

1 B. The Oklahoma Tax Commission shall promulgate rules and
2 regulations to implement the provisions of this section.

3 SECTION 29. AMENDATORY 74 O.S. 2011, Section 5078, is
4 amended to read as follows:

5 Section 5078. A. For a period of up to ten (10) years from the
6 date of tenant's occupancy in an incubator, income earned by the
7 tenant as a result of activities conducted as an occupant in an
8 incubator, including income distributed to partners, shareholders of
9 a corporation for which a Subchapter S election is in effect and to
10 the members of a limited liability company, shall be exempt from
11 state income tax. The exemption provided by this section shall
12 remain in effect for such activities by such tenant after the date
13 the tenant is no longer an occupant in an incubator, but not to
14 exceed a total duration of ten (10) years for any tenant. The
15 exemption provided by this section shall not be allowed for income
16 earned by the tenant in taxable years beginning on or after January
17 1, 2015.

18 B. In order to qualify for the income tax exemption for the
19 sixth through tenth year as authorized by this section, the tenant
20 must make at least seventy-five percent (75%) of its gross sales
21 constituting the principal business activity of the business to
22 buyers located outside the state or to buyers whose principal
23 business activity is conducted outside the state or to the federal
24 government or to buyers located within the state if the product or

1 service is resold to an out-of-state customer or buyer for ultimate
2 use. Provided, if a tenant does not achieve the qualifying
3 percentage for any one of the above tax years, the tenant shall not
4 be disqualified for subsequent tax years in which the qualifying
5 percentage is achieved.

6 The Oklahoma Tax Commission shall promulgate rules to implement
7 the provisions of this section.

8 SECTION 30. REPEALER 68 O.S. 2011, Section 2357.29, is
9 hereby repealed.

10 SECTION 31. This act shall become effective November 1, 2013.

11 Passed the Senate the 11th day of March, 2013.

12
13 _____
14 Presiding Officer of the Senate

15 Passed the House of Representatives the ____ day of _____,
16 2013.

17
18 _____
19 Presiding Officer of the House
20 of Representatives
21
22
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24