

**COMMITTEE AMENDMENT**

HOUSE OF REPRESENTATIVES

State of Oklahoma

SPEAKER:

CHAIR:

I move to amend HB2403 \_\_\_\_\_  
Of the printed Bill  
Page \_\_\_\_\_ Section \_\_\_\_\_ Lines \_\_\_\_\_  
Of the Engrossed Bill

By striking the Title, the Enacting Clause, the entire bill, and by  
inserting in lieu thereof the following language:

**AMEND TITLE TO CONFORM TO AMENDMENTS**

Amendment submitted by: Leslie Osborn

Adopted: \_\_\_\_\_

\_\_\_\_\_  
Reading Clerk

STATE OF OKLAHOMA

1st Session of the 56th Legislature (2017)

PROPOSED COMMITTEE  
SUBSTITUTE  
FOR  
HOUSE BILL NO. 2403

By: Osborn (Leslie) and Wallace  
of the House

and

David and Fields of the  
Senate

PROPOSED COMMITTEE SUBSTITUTE

An Act relating to revenue and taxation; amending 68 O.S. 2011, Section 2358, as last amended by Section 1, Chapter 334, O.S.L. 2016 (68 O.S. Supp. 2016, Section 2358), which relates to computation of Oklahoma adjusted gross income and Oklahoma taxable income; imposing limit on amount of itemized deductions for designated tax years; providing exclusion for charitable contribution amounts; and providing an effective date.

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

SECTION 1. AMENDATORY 68 O.S. 2011, Section 2358, as last amended by Section 1, Chapter 334, O.S.L. 2016 (68 O.S. Supp. 2016, Section 2358), is amended to read as follows:

Section 2358. For all tax years beginning after December 31, 1981, taxable income and adjusted gross income shall be adjusted to

1 arrive at Oklahoma taxable income and Oklahoma adjusted gross income  
2 as required by this section.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

15 For purposes of this paragraph:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

7 2. For purposes of this subsection:

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

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

20 b. "Technology" means a proprietary process, formula,  
21 pattern, device or compilation of scientific or  
22 technical information which is not in the public  
23 domain;  
24



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

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

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

15           2.   As used in this subsection:

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

21               (1)   the sale of real property or tangible personal  
22                      property located within Oklahoma that has been  
23                      directly or indirectly owned by the corporation,  
24                      estate or trust for a holding period of at least

1 five (5) years prior to the date of the  
2 transaction from which such net capital gains  
3 arise,

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

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

23 b. "holding period" means an uninterrupted period of  
24 time. The holding period shall include any additional

1 period when the property was held by another  
2 individual or entity, if such additional period is  
3 included in the taxpayer's holding period for the  
4 asset pursuant to the Internal Revenue Code,

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

11 d. "direct" means the taxpayer directly owns the asset,  
12 and

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

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

1           entity included in the chain of ownership has  
2           been a member, partner, or shareholder of the  
3           pass-through entity in the tier immediately below  
4           it for an uninterrupted period of not less than  
5           five (5) years.

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

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

1. a. In the case of individuals, there shall be added or deducted, as the case may be, the difference necessary to allow personal exemptions of One Thousand Dollars (\$1,000.00) in lieu of the personal exemptions allowed by 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 this exemption if the federal adjusted gross income does not exceed:

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

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

2. a. For taxable years beginning on or before December 31, 2005, 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 in lieu of the standard deduction allowed by the Internal Revenue Code, in an amount equal to the larger of fifteen percent (15%) of the Oklahoma adjusted gross

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

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

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

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

22 c. For the taxable year beginning on January 1, 2007, and  
23 ending December 31, 2007, in the case of individuals  
24 who use the standard deduction in determining taxable

1 income, there shall be added or deducted, as the case  
2 may be, the difference necessary to allow a standard  
3 deduction in lieu of the standard deduction allowed by  
4 the Internal Revenue Code, in an amount equal to:

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

8 (2) Four Thousand One Hundred Twenty-five Dollars  
9 (\$4,125.00) for a head of household; or

10 (3) Two Thousand Seven Hundred Fifty Dollars  
11 (\$2,750.00), if the filing status is single or  
12 married filing separate.

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

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

23 (2) Four Thousand Eight Hundred Seventy-five Dollars  
24 (\$4,875.00) for a head of household, or



1 (3) Three Thousand Two Hundred Fifty Dollars

2 (\$3,250.00), if the filing status is single or  
3 married filing separate.

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

11 (1) Eight Thousand Five Hundred Dollars (\$8,500.00),  
12 if the filing status is married filing joint or  
13 qualifying widow, or

14 (2) Six Thousand Three Hundred Seventy-five Dollars  
15 (\$6,375.00) for a head of household, or

16 (3) Four Thousand Two Hundred Fifty Dollars  
17 (\$4,250.00), if the filing status is single or  
18 married filing separate.

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

22 f. For taxable years beginning on or after January 1,  
23 2010, in the case of individuals who use the standard  
24 deduction in determining taxable income, there shall

1 be added or deducted, as the case may be, the  
2 difference necessary to allow a standard deduction  
3 equal to the standard deduction allowed by the  
4 Internal Revenue Code of 1986, as amended, based upon  
5 the amount and filing status prescribed by such Code  
6 for purposes of filing federal individual income tax  
7 returns.

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

1        b. For taxable years beginning on or after January 1,  
2        2017, and ending on or before December 31, 2019, the  
3        net amount of itemized deductions allowable on an  
4        Oklahoma income tax return, subject to the provisions  
5        of paragraph 24 of this subsection, shall not exceed  
6        Seventeen Thousand Dollars (\$17,000.00). For purposes  
7        of this subparagraph, charitable contributions  
8        deductible for federal income tax purposes shall be  
9        excluded from the amount of Seventeen Thousand Dollars  
10       (\$17,000.00) as specified by this subparagraph.

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

23       5.    a.    Before July 1, 2010, the first One Thousand Five  
24                Hundred Dollars (\$1,500.00) received by any person

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

5 b. On or after July 1, 2010, one hundred percent (100%)  
6 of the income received by any person from the United  
7 States as salary or compensation in any form, other  
8 than retirement benefits, as a member of any component  
9 of the Armed Forces of the United States shall be  
10 deducted from taxable income.

11 c. Whenever the filing of a timely income tax return by a  
12 member of the Armed Forces of the United States is  
13 made impracticable or impossible of accomplishment by  
14 reason of:

15 (1) absence from the United States, which term  
16 includes only the states and the District of  
17 Columbia;

18 (2) absence from the State of Oklahoma while on  
19 active duty; or

20 (3) confinement in a hospital within the United  
21 States for treatment of wounds, injuries or  
22 disease,

23 the time for filing a return and paying an income tax shall  
24 be and is hereby extended without incurring liability for

1 interest or penalties, to the fifteenth day of the third  
2 month following the month in which:

3 (a) Such individual shall return to the United  
4 States if the extension is granted pursuant  
5 to subparagraph a of this paragraph, return  
6 to the State of Oklahoma if the extension is  
7 granted pursuant to subparagraph b of this  
8 paragraph or be discharged from such  
9 hospital if the extension is granted  
10 pursuant to subparagraph c of this  
11 paragraph; or

12 (b) An executor, administrator, or conservator  
13 of the estate of the taxpayer is appointed,  
14 whichever event occurs the earliest.

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

23 6. Before July 1, 2010, the salary or any other form of  
24 compensation, received from the United States by a member of any

1 component of the Armed Forces of the United States, shall be  
2 deducted from taxable income during the time in which the person is  
3 detained by the enemy in a conflict, is a prisoner of war or is  
4 missing in action and not deceased; provided, after July 1, 2010,  
5 all such salary or compensation shall be subject to the deduction as  
6 provided pursuant to paragraph 5 of this subsection.

7       7.    a.    An individual taxpayer, whether resident or  
8               nonresident, may deduct an amount equal to the federal  
9               income taxes paid by the taxpayer during the taxable  
10              year.

11           b.    Federal taxes as described in subparagraph a of this  
12               paragraph shall be deductible by any individual  
13               taxpayer, whether resident or nonresident, only to the  
14               extent they relate to income subject to taxation  
15               pursuant to the provisions of the Oklahoma Income Tax  
16               Act. The maximum amount allowable in the preceding  
17               paragraph shall be prorated on the ratio of the  
18               Oklahoma adjusted gross income to federal adjusted  
19               gross income.

20           c.    For the purpose of this paragraph, "federal income  
21               taxes paid" shall mean federal income taxes, surtaxes  
22               imposed on incomes or excess profits taxes, as though  
23               the taxpayer was on the accrual basis. In determining  
24               the amount of deduction for federal income taxes for

1 tax year 2001, the amount of the deduction shall not  
2 be adjusted by the amount of any accelerated ten  
3 percent (10%) tax rate bracket credit or advanced  
4 refund of the credit received during the tax year  
5 provided pursuant to the federal Economic Growth and  
6 Tax Relief Reconciliation Act of 2001, P.L. No. 107-  
7 16, and the advanced refund of such credit shall not  
8 be subject to taxation.

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

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

1 Employment Security Commission Retirement Plan, or the employee  
2 retirement systems created by municipalities pursuant to Section 48-  
3 101 et seq. of Title 11 of the Oklahoma Statutes shall be exempt  
4 from taxable income.

5 9. In taxable years beginning after December 31, 1984, Social  
6 Security benefits received by an individual shall be exempt from  
7 taxable income, to the extent such benefits are included in the  
8 federal adjusted gross income pursuant to the provisions of Section  
9 86 of the Internal Revenue Code, 26 U.S.C., Section 86.

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



1        11. In taxable years beginning after December 31, 1995,  
2 contributions made to and interest received from a medical savings  
3 account established pursuant to Sections 2621 through 2623 of Title  
4 63 of the Oklahoma Statutes shall be exempt from taxable income.

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

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

- b. The deductions for adoptions and proposed adoptions authorized by this paragraph shall not exceed Twenty Thousand Dollars (\$20,000.00) per calendar year.
- c. The Tax Commission shall promulgate rules to implement the provisions of this paragraph which shall contain a specific list of nonrecurring adoption expenses which may be presumed to qualify for the deduction. The Tax Commission shall prescribe necessary requirements for verification.
- d. "Nonrecurring adoption expenses" means adoption fees, court costs, medical expenses, attorney fees and expenses which are directly related to the legal process of adoption of a child including, but not limited to, costs relating to the adoption study, health and psychological examinations, transportation and reasonable costs of lodging and food for the child or adoptive parents which are incurred to complete the adoption process and are not reimbursed by other sources. The term "nonrecurring adoption expenses" shall not include attorney fees incurred for the purpose of litigating a contested adoption, from and after the point of the initiation of the contest, costs associated with physical remodeling, renovation and alteration of the adoptive parents' home or

1 property, except for a special needs child as  
2 authorized by the court.

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

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

21 (1) in taxable years beginning after December 31,  
22 2004, and prior to January 1, 2007, the  
23 qualifying amount shall be Thirty-seven Thousand  
24 Five Hundred Dollars (\$37,500.00) or less if the

- 1 filing status is single, head of household, or  
2 married filing separate, or Seventy-five Thousand  
3 Dollars (\$75,000.00) or less if the filing status  
4 is married filing jointly or qualifying widow,
- 5 (2) in the taxable year beginning January 1, 2007,  
6 the qualifying amount shall be Fifty Thousand  
7 Dollars (\$50,000.00) or less if the filing status  
8 is single, head of household, or married filing  
9 separate, or One Hundred Thousand Dollars  
10 (\$100,000.00) or less if the filing status is  
11 married filing jointly or qualifying widow,
- 12 (3) in the taxable year beginning January 1, 2008,  
13 the qualifying amount shall be Sixty-two Thousand  
14 Five Hundred Dollars (\$62,500.00) or less if the  
15 filing status is single, head of household, or  
16 married filing separate, or One Hundred Twenty-  
17 five Thousand Dollars (\$125,000.00) or less if  
18 the filing status is married filing jointly or  
19 qualifying widow,
- 20 (4) in the taxable year beginning January 1, 2009,  
21 the qualifying amount shall be One Hundred  
22 Thousand Dollars (\$100,000.00) or less if the  
23 filing status is single, head of household, or  
24 married filing separate, or Two Hundred Thousand

Dollars (\$200,000.00) or less if the filing status is married filing jointly or qualifying widow, and

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

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

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

(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 8 of this subsection shall not be permitted to claim a combined total exemption pursuant to this paragraph and paragraph 8 of this subsection in an amount exceeding 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 2006 tax year and all subsequent tax years.

15. In taxable years beginning after December 31, 1999, for an individual engaged in production agriculture who has filed a

1 Schedule F form with the taxpayer's federal income tax return for  
2 such taxable year, there shall be excluded from taxable income any  
3 amount which was included as federal taxable income or federal  
4 adjusted gross income and which consists of the discharge of an  
5 obligation by a creditor of the taxpayer incurred to finance the  
6 production of agricultural products.

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

12 17. a. In taxable years beginning after December 31, 2001,  
13 and before January 1, 2005, there shall be allowed a  
14 deduction in the amount of contributions to accounts  
15 established pursuant to the Oklahoma College Savings  
16 Plan Act. The deduction shall equal the amount of  
17 contributions to accounts, but in no event shall the  
18 deduction for each contributor exceed Two Thousand  
19 Five Hundred Dollars (\$2,500.00) each taxable year for  
20 each account.

21 b. In taxable years beginning after December 31, 2004,  
22 each taxpayer shall be allowed a deduction for  
23 contributions to accounts established pursuant to the  
24 Oklahoma College Savings Plan Act. The maximum annual

1 deduction shall equal the amount of contributions to  
2 all such accounts plus any contributions to such  
3 accounts by the taxpayer for prior taxable years after  
4 December 31, 2004, which were not deducted, but in no  
5 event shall the deduction for each tax year exceed Ten  
6 Thousand Dollars (\$10,000.00) for each individual  
7 taxpayer or Twenty Thousand Dollars (\$20,000.00) for  
8 taxpayers filing a joint return. Any amount of a  
9 contribution that is not deducted by the taxpayer in  
10 the year for which the contribution is made may be  
11 carried forward as a deduction from income for the  
12 succeeding five (5) years. For taxable years  
13 beginning after December 31, 2005, deductions may be  
14 taken for contributions and rollovers made during a  
15 taxable year and up to April 15 of the succeeding  
16 year, or the due date of a taxpayer's state income tax  
17 return, excluding extensions, whichever is later.  
18 Provided, a deduction for the same contribution may  
19 not be taken for two (2) different taxable years.

- 20 c. In taxable years beginning after December 31, 2006,  
21 deductions for contributions made pursuant to  
22 subparagraph b of this paragraph shall be limited as  
23 follows:  
24



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

8 (2) for a taxpayer who elects to take a rollover or  
9 nonqualified withdrawal within the same tax year  
10 in which a contribution was made to the  
11 taxpayer's account, the tax deduction otherwise  
12 available pursuant to subparagraph b of this  
13 paragraph shall be reduced by the amount of the  
14 contribution which is equal to the rollover or  
15 nonqualified withdrawal.

16 d. If a taxpayer elects to take a rollover on a  
17 contribution for which a deduction has been taken  
18 pursuant to subparagraph b of this paragraph within  
19 one (1) year of the date of contribution, the amount  
20 of such rollover shall be included in the adjusted  
21 gross income of the taxpayer in the taxable year of  
22 the rollover.

23 e. If a taxpayer makes a nonqualified withdrawal of  
24 contributions for which a deduction was taken pursuant

1 to subparagraph b of this paragraph, such nonqualified  
2 withdrawal and any earnings thereon shall be included  
3 in the adjusted gross income of the taxpayer in the  
4 taxable year of the nonqualified withdrawal.

5 f. As used in this paragraph:

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

9 (a) a qualified withdrawal,

10 (b) a withdrawal made as a result of the death  
11 or disability of the designated beneficiary  
12 of an account,

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

21 (d) a rollover or change of designated  
22 beneficiary as permitted by subsection F of  
23 Section 3970.7 of Title 70 of Oklahoma  
24 Statutes, and

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

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

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

- 18           a. in the taxable year beginning January 1, 2007, twenty  
19           percent (20%) of such benefits shall be exempt,  
20           b. in the taxable year beginning January 1, 2008, forty  
21           percent (40%) of such benefits shall be exempt,  
22           c. in the taxable year beginning January 1, 2009, sixty  
23           percent (60%) of such benefits shall be exempt,  
24

- 1           d.    in the taxable year beginning January 1, 2010, eighty  
2               percent (80%) of such benefits shall be exempt, and  
3           e.    in the taxable year beginning January 1, 2011, and  
4               subsequent taxable years, one hundred percent (100%)  
5               of such benefits shall be exempt.

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

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

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

1                   presumed to qualify for the deduction. The Tax  
2                   Commission shall prescribe necessary requirements for  
3                   verification.

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

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

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

21           24. For taxable years beginning on or after January 1, 2016,  
22 taxable income shall be increased by any amount of state and local  
23 sales or income taxes deducted under 26 U.S.C., Section 164 of the  
24 Internal Revenue Code. If the amount of state and local taxes

1 deducted on the federal return is limited, taxable income on the  
2 state return shall be increased only by the amount actually deducted  
3 after any such limitations are applied.

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

9 2. As used in this subsection:

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

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

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

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

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

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

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

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

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

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



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

3           (2) With respect to sales of stock or ownership  
4           interest in or sales of all or substantially all  
5           of the assets of an Oklahoma company, limited  
6           liability company, partnership or Oklahoma  
7           proprietorship business enterprise, the deduction  
8           described in this subsection shall not apply  
9           unless the pass-through entity that makes the  
10          sale has held the stock or ownership interest for  
11          not less than two (2) uninterrupted years prior  
12          to the date of the transaction that created the  
13          capital gain, and each pass-through entity  
14          included in the chain of ownership has been a  
15          member, partner or shareholder of the pass-  
16          through entity in the tier immediately below it  
17          for an uninterrupted period of not less than two  
18          (2) years. For purposes of this division,  
19          uninterrupted ownership prior to July 1, 2007,  
20          shall be included in the determination of the  
21          required holding period prescribed by this  
22          division, and

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

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

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

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

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

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

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

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

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

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

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

22 "captive real estate investment trust", or

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

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

- (3) any Listed Australian Property Trust (meaning an Australian unit trust registered as a "Managed Investment Scheme" under the Australian Corporations Act in which the principal class of units is listed on a recognized stock exchange in Australia and is regularly traded on an established securities market), or an entity organized as a trust, provided that a Listed Australian Property Trust owns or controls, directly or indirectly, seventy-five percent (75%) or more of the voting power or value of the beneficial interests or shares of such trust, or
- (4) any Qualified Foreign Entity, meaning a corporation, trust, association or partnership organized outside the laws of the United States and which satisfies the following criteria:
  - (a) at least seventy-five percent (75%) of the entity's total asset value at the close of its taxable year is represented by real estate assets, as defined in Section 856(c) (5) (B) of the Internal Revenue Code of

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

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

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

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

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

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

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

20       SECTION 2. This act shall become effective November 1, 2017.

21  
22       56-1-7902           MAH       05/10/17  
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