

1 ENGROSSED SENATE
2 BILL NO. 225

By: Griffin of the Senate

3 and

4 Wright of the House

5
6 An Act relating to income taxes; amending 68 O.S.
7 2011, Section 2385.26, which relates to withholding
8 and royalty interest owners; adding to types of
9 royalty interest owners for which certain withholding
10 is not required; and providing an effective date.

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

12 SECTION 1. AMENDATORY 68 O.S. 2011, Section 2385.26, is
13 amended to read as follows:

14 Section 2385.26. A. Each remitter, except as otherwise
15 provided in subsection B of this section, shall deduct and withhold
16 from each payment being made to any royalty interest owner in
17 respect to production of oil and gas in this state, but not
18 including that to which the remitter is entitled, an amount equal to
19 five percent (5%) of the gross amount which would have otherwise
20 been payable to the person entitled to the payment.

21 B. The obligation to deduct and withhold from payments as
22 provided in subsection A of this section does not apply to those
23 payments which are made to:

24 1. Current or permanent residents of Oklahoma;

1 2. The United States, this state or any state or federal agency
2 or political subdivision;

3 3. Any charitable institution; ~~or~~

4 4. Any federally recognized Indian tribe; or

5 5. A publicly-traded partnership as defined by Section 7704 (b)
6 of the Internal Revenue Code, 26 U.S. Code 7704 (b), that is treated
7 as a partnership for federal tax purposes under Section 7704 (c) of
8 the Internal Revenue Code, 26 U.S. Code 7704 (c), or its publicly-
9 traded partnership affiliates. As used in this paragraph,
10 "publicly-traded partnership affiliates" shall include any limited
11 liability company or limited partnership for which at least eighty
12 percent (80%) of the limited liability member interests or limited
13 partnership interests of which are owned directly or indirectly by
14 the publicly-traded partnership.

15 The obligation to deduct and withhold from payments as provided
16 in subsection A of this section does not apply if the remitter and
17 the royalty interest owner are the same person.

18 C. Any royalty interest owner from whom an amount is withheld
19 pursuant to the provisions of subsection A of this section, or if
20 the royalty interest owner is not liable to the State of Oklahoma
21 for income taxes, any person to whom a royalty interest owner
22 subsequently distributes royalty payments with respect to which an
23 amount is withheld pursuant to the provisions of subsection A of
24 this section, and who files an income tax return with this state is

1 entitled to a credit against the tax as shown on the return for the
2 amount withheld by the remitter under subsection A of this section.
3 If the amount withheld is greater than the tax due on the return,
4 the person filing the return shall be entitled to a refund in the
5 amount of the overpayment.

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

7 Passed the Senate the 6th day of March, 2017.

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Presiding Officer of the Senate

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11 Passed the House of Representatives the ____ day of _____,
12 2017.

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Presiding Officer of the House
of Representatives

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