

1                   **HOUSE OF REPRESENTATIVES - FLOOR VERSION**

2                               STATE OF OKLAHOMA

3                               1st Session of the 56th Legislature (2017)

4   ENGROSSED SENATE  
5   BILL NO. 225

By: Griffin of the Senate

and

Wright of the House

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

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

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

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

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

4 1. Current or permanent residents of Oklahoma;

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

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

8 4. Any federally recognized Indian tribe; or

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

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

22 C. Any royalty interest owner from whom an amount is withheld  
23 pursuant to the provisions of subsection A of this section, or if  
24 the royalty interest owner is not liable to the State of Oklahoma

1 for income taxes, any person to whom a royalty interest owner  
2 subsequently distributes royalty payments with respect to which an  
3 amount is withheld pursuant to the provisions of subsection A of  
4 this section, and who files an income tax return with this state is  
5 entitled to a credit against the tax as shown on the return for the  
6 amount withheld by the remitter under subsection A of this section.  
7 If the amount withheld is greater than the tax due on the return,  
8 the person filing the return shall be entitled to a refund in the  
9 amount of the overpayment.

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

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12 COMMITTEE REPORT BY: COMMITTEE ON ENERGY AND NATURAL RESOURCES,  
13 dated 04/03/2017 - DO PASS.

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