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February 22, 2017

AS AMENDED

SENATE BILL NO. 225

By: Griffin

[income taxes - withholding and royalty interest
owners - effective date]

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

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

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

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

1. Current or permanent residents of Oklahoma;
2. The United States, this state or any state or federal agency or political subdivision;

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

2 4. Any federally recognized Indian tribe; or

3 5. A publicly-traded partnership as defined by Section 7704 (b)

4 of the Internal Revenue Code, 26 U.S. Code 7704 (b), that is treated

5 as a partnership for federal tax purposes under Section 7704 (c) of

6 the Internal Revenue Code, 26 U.S. Code 7704 (c), or its publicly-

7 traded partnership affiliates. As used in this paragraph,

8 "publicly-traded partnership affiliates" shall include any limited

9 liability company or limited partnership for which at least eighty

10 percent (80%) of the limited liability member interests or limited

11 partnership interests of which are owned directly or indirectly by

12 the publicly-traded partnership.

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

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

1 If the amount withheld is greater than the tax due on the return,
2 the person filing the return shall be entitled to a refund in the
3 amount of the overpayment.

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

5 COMMITTEE REPORT BY: COMMITTEE ON APPROPRIATIONS
6 February 22, 2017 - DO PASS AS AMENDED
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