

1 STATE OF OKLAHOMA

2 1st Session of the 56th Legislature (2017)

3 SENATE BILL 225

By: Griffin

6 AS INTRODUCED

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

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

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

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

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

1 1. Current or permanent residents of Oklahoma;

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

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

5 4. Any federally recognized Indian tribe; or

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

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

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

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

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

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