

1 ENGROSSED HOUSE  
2 BILL NO. 3086

By: Hilbert, Russ, Burns, Boles  
and Humphrey of the House

3 and

4 Bice of the Senate  
5  
6

7 [ revenue and taxation - income tax credit for  
8 certain adoption expenses - modifying provisions  
9 related to deduction for certain adoption expenses  
10 - effective date ]  
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12  
13

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

15 SECTION 1. NEW LAW A new section of law to be codified  
16 in the Oklahoma Statutes as Section 2357.601 of Title 68, unless  
17 there is created a duplication in numbering, reads as follows:

18 A. As used in this section, "nonrecurring adoption expenses"  
19 means adoption fees, court costs, medical expenses, attorney fees  
20 and expenses which are directly related to the legal process of  
21 adoption of a child including, but not limited to, costs relating to  
22 the adoption study, health and psychological examinations,  
23 transportation and reasonable costs of lodging and food for the  
24 child or adoptive parents which are incurred to complete the

1 adoption process and are not reimbursed by other sources. The term  
2 "nonrecurring adoption expenses" shall not include attorney fees  
3 incurred for the purpose of litigating a contested adoption, from  
4 and after the point of the initiation of the contest, costs  
5 associated with physical remodeling, renovation and alteration of  
6 the adoptive parents' home or property, except for a special needs  
7 child as authorized by the court.

8 B. For taxable years beginning on or after January 1, 2021,  
9 there shall be allowed a credit against the tax imposed pursuant to  
10 Section 2355 of Title 68 of the Oklahoma Statutes for nonrecurring  
11 adoption expenses paid by a resident individual taxpayer in  
12 connection with:

- 13 1. The adoption of a minor; or
- 14 2. A proposed adoption of a minor which did not result in a  
15 decreed adoption.

16 C. The amount of the tax credit authorized by this section  
17 shall be equal to ten percent (10%) of the qualified expenses but  
18 the credit amount shall not exceed Two Thousand Dollars (\$2,000.00)  
19 per calendar year with respect to single filing status or married  
20 filing separate income tax returns and shall not exceed Four  
21 Thousand Dollars (\$4,000.00) per calendar year with respect to  
22 married filing joint return filing status.

23 D. The Tax Commission shall promulgate rules to implement the  
24 provisions of this section which shall contain a specific list of

1 nonrecurring adoption expenses which may be presumed to qualify for  
2 the tax credit. The Tax Commission shall prescribe necessary  
3 requirements for verification.

4 SECTION 2. AMENDATORY 68 O.S. 2011, Section 2358, as  
5 last amended by Section 5, Chapter 201, O.S.L. 2019 (68 O.S. Supp.  
6 2019, Section 2358), is amended to read as follows:

7 Section 2358. For all tax years beginning after December 31,  
8 1981, taxable income and adjusted gross income shall be adjusted to  
9 arrive at Oklahoma taxable income and Oklahoma adjusted gross income  
10 as required by this section.

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

14 1. There shall be added interest income on obligations of any  
15 state or political subdivision thereto which is not otherwise  
16 exempted pursuant to other laws of this state, to the extent that  
17 such interest is not included in taxable income and adjusted gross  
18 income.

19 2. There shall be deducted amounts included in such income that  
20 the state is prohibited from taxing because of the provisions of the  
21 Federal Constitution, the State Constitution, federal laws or laws  
22 of Oklahoma.

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

- 1           a.   For carryovers and carrybacks to taxable years  
2               beginning before January 1, 1981, the amount of any  
3               net operating loss deduction allowed to a taxpayer for  
4               federal income tax purposes shall be reduced to an  
5               amount which is the same portion thereof as the loss  
6               from sources within this state, as determined pursuant  
7               to this section and Section 2362 of this title, for  
8               the taxable year in which such loss is sustained is of  
9               the total loss for such year;
- 10          b.   For carryovers and carrybacks to taxable years  
11               beginning after December 31, 1980, the amount of any  
12               net operating loss deduction allowed for the taxable  
13               year shall be an amount equal to the aggregate of the  
14               Oklahoma net operating loss carryovers and carrybacks  
15               to such year. Oklahoma net operating losses shall be  
16               separately determined by reference to Section 172 of  
17               the Internal Revenue Code, 26 U.S.C., Section 172, as  
18               modified by the Oklahoma Income Tax Act, Section 2351  
19               et seq. of this title, and shall be allowed without  
20               regard to the existence of a federal net operating  
21               loss. For tax years beginning after December 31,  
22               2000, and ending before January 1, 2008, the years to  
23               which such losses may be carried shall be determined  
24               solely by reference to Section 172 of the Internal

1 Revenue Code, 26 U.S.C., Section 172, with the  
2 exception that the terms "net operating loss" and  
3 "taxable income" shall be replaced with "Oklahoma net  
4 operating loss" and "Oklahoma taxable income". For  
5 tax years beginning after December 31, 2007, and  
6 ending before January 1, 2009, years to which such  
7 losses may be carried back shall be limited to two (2)  
8 years. For tax years beginning after December 31,  
9 2008, the years to which such losses may be carried  
10 back shall be determined solely by reference to  
11 Section 172 of the Internal Revenue Code, 26 U.S.C.,  
12 Section 172, with the exception that the terms "net  
13 operating loss" and "taxable income" shall be replaced  
14 with "Oklahoma net operating loss" and "Oklahoma  
15 taxable income".

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

21 a. Income from real and tangible personal property, such  
22 as rents, oil and mining production or royalties, and  
23 gains or losses from sales of such property, shall be  
24

1 allocated in accordance with the situs of such  
2 property;

3 b. Income from intangible personal property, such as  
4 interest, dividends, patent or copyright royalties,  
5 and gains or losses from sales of such property, shall  
6 be allocated in accordance with the domiciliary situs  
7 of the taxpayer, except that:

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

22 (2) for taxable years beginning after December 31,  
23 2003, capital or ordinary gains or losses from  
24 the sale of an ownership interest in a publicly

1           traded partnership, as defined by Section 7704(b)  
2           of the Internal Revenue Code, shall be allocated  
3           to this state in the ratio of the original cost  
4           of such partnership's tangible property in this  
5           state to the original cost of such partnership's  
6           tangible property everywhere, as determined at  
7           the time of the sale; if more than fifty percent  
8           (50%) of the value of the partnership's assets  
9           consists of intangible assets, capital or  
10          ordinary gains or losses from the sale of an  
11          ownership interest in the partnership shall be  
12          allocated to this state in accordance with the  
13          sales factor of the partnership for its first  
14          full tax period immediately preceding its tax  
15          period during which the ownership interest in the  
16          partnership was sold; the provisions of this  
17          division shall only apply if the capital or  
18          ordinary gains or losses from the sale of an  
19          ownership interest in a partnership do not  
20          constitute qualifying gain receiving capital  
21          treatment as defined in subparagraph a of  
22          paragraph 2 of subsection F of this section,

23          (3) income from such property which is required to be  
24          allocated pursuant to the provisions of paragraph

1                   5 of this subsection shall be allocated as herein  
2                   provided;

3           c.   Net income or loss from a business activity which is  
4               not a part of business carried on within or without  
5               the state of a unitary character shall be separately  
6               allocated to the state in which such activity is  
7               conducted;

8           d.   In the case of a manufacturing or processing  
9               enterprise the business of which in Oklahoma consists  
10              solely of marketing its products by:

11           (1)   sales having a situs without this state, shipped  
12               directly to a point from without the state to a  
13               purchaser within the state, commonly known as  
14               interstate sales,

15           (2)   sales of the product stored in public warehouses  
16               within the state pursuant to "in transit"  
17               tariffs, as prescribed and allowed by the  
18               Interstate Commerce Commission, to a purchaser  
19               within the state,

20           (3)   sales of the product stored in public warehouses  
21               within the state where the shipment to such  
22               warehouses is not covered by "in transit"  
23               tariffs, as prescribed and allowed by the  
24



Interstate Commerce Commission, to a purchaser within or without the state, the Oklahoma net income shall, at the option of the taxpayer, be that portion of the total net income of the taxpayer for federal income tax purposes derived from the manufacture and/or processing and sales everywhere as determined by the ratio of the sales defined in this section made to the purchaser within the state to the total sales everywhere. The term "public warehouse" as used in this subparagraph means a licensed public warehouse, the principal business of which is warehousing merchandise for the public;

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

(1) except as otherwise provided by division (2) of this subparagraph, taxable income of an insurance company for a taxable year shall be apportioned to this state by multiplying such income by a fraction, the numerator of which is the direct premiums written for insurance on property or risks in this state, and the denominator of which

1 is the direct premiums written for insurance on  
2 property or risks everywhere. For purposes of  
3 this subsection, the term "direct premiums  
4 written" means the total amount of direct  
5 premiums written, assessments and annuity  
6 considerations as reported for the taxable year  
7 on the annual statement filed by the company with  
8 the Insurance Commissioner in the form approved  
9 by the National Association of Insurance  
10 Commissioners, or such other form as may be  
11 prescribed in lieu thereof,

- 12 (2) if the principal source of premiums written by an  
13 insurance company consists of premiums for  
14 reinsurance accepted by it, the taxable income of  
15 such company shall be apportioned to this state  
16 by multiplying such income by a fraction, the  
17 numerator of which is the sum of (a) direct  
18 premiums written for insurance on property or  
19 risks in this state, plus (b) premiums written  
20 for reinsurance accepted in respect of property  
21 or risks in this state, and the denominator of  
22 which is the sum of (c) direct premiums written  
23 for insurance on property or risks everywhere,  
24 plus (d) premiums written for reinsurance

1           accepted in respect of property or risks  
2           everywhere. For purposes of this paragraph,  
3           premiums written for reinsurance accepted in  
4           respect of property or risks in this state,  
5           whether or not otherwise determinable, may at the  
6           election of the company be determined on the  
7           basis of the proportion which premiums written  
8           for insurance accepted from companies  
9           commercially domiciled in Oklahoma bears to  
10          premiums written for reinsurance accepted from  
11          all sources, or alternatively in the proportion  
12          which the sum of the direct premiums written for  
13          insurance on property or risks in this state by  
14          each ceding company from which reinsurance is  
15          accepted bears to the sum of the total direct  
16          premiums written by each such ceding company for  
17          the taxable year.

18          5. The net income or loss remaining after the separate  
19          allocation in paragraph 4 of this subsection, being that which is  
20          derived from a unitary business enterprise, shall be apportioned to  
21          this state on the basis of the arithmetical average of three factors  
22          consisting of property, payroll and sales or gross revenue  
23          enumerated as subparagraphs a, b and c of this paragraph. Net  
24          income or loss as used in this paragraph includes that derived from

1 patent or copyright royalties, purchase discounts, and interest on  
2 accounts receivable relating to or arising from a business activity,  
3 the income from which is apportioned pursuant to this subsection,  
4 including the sale or other disposition of such property and any  
5 other property used in the unitary enterprise. Deductions used in  
6 computing such net income or loss shall not include taxes based on  
7 or measured by income. Provided, for corporations whose property  
8 for purposes of the tax imposed by Section 2355 of this title has an  
9 initial investment cost equaling or exceeding Two Hundred Million  
10 Dollars (\$200,000,000.00) and such investment is made on or after  
11 July 1, 1997, or for corporations which expand their property or  
12 facilities in this state and such expansion has an investment cost  
13 equaling or exceeding Two Hundred Million Dollars (\$200,000,000.00)  
14 over a period not to exceed three (3) years, and such expansion is  
15 commenced on or after January 1, 2000, the three factors shall be  
16 apportioned with property and payroll, each comprising twenty-five  
17 percent (25%) of the apportionment factor and sales comprising fifty  
18 percent (50%) of the apportionment factor. The apportionment  
19 factors shall be computed as follows:

- 20           a. The property factor is a fraction, the numerator of  
21               which is the average value of the taxpayer's real and  
22               tangible personal property owned or rented and used in  
23               this state during the tax period and the denominator  
24               of which is the average value of all the taxpayer's

1 real and tangible personal property everywhere owned  
2 or rented and used during the tax period.

3 (1) Property, the income from which is separately  
4 allocated in paragraph 4 of this subsection,  
5 shall not be included in determining this  
6 fraction. The numerator of the fraction shall  
7 include a portion of the investment in  
8 transportation and other equipment having no  
9 fixed situs, such as rolling stock, buses, trucks  
10 and trailers, including machinery and equipment  
11 carried thereon, airplanes, salespersons'  
12 automobiles and other similar equipment, in the  
13 proportion that miles traveled in Oklahoma by  
14 such equipment bears to total miles traveled,

15 (2) Property owned by the taxpayer is valued at its  
16 original cost. Property rented by the taxpayer  
17 is valued at eight times the net annual rental  
18 rate. Net annual rental rate is the annual  
19 rental rate paid by the taxpayer, less any annual  
20 rental rate received by the taxpayer from  
21 subrentals,

22 (3) The average value of property shall be determined  
23 by averaging the values at the beginning and  
24 ending of the tax period but the Oklahoma Tax

1 Commission may require the averaging of monthly  
2 values during the tax period if reasonably  
3 required to reflect properly the average value of  
4 the taxpayer's property;

5 b. The payroll factor is a fraction, the numerator of  
6 which is the total compensation for services rendered  
7 in the state during the tax period, and the  
8 denominator of which is the total compensation for  
9 services rendered everywhere during the tax period.  
10 "Compensation", as used in this subsection means those  
11 paid-for services to the extent related to the unitary  
12 business but does not include officers' salaries,  
13 wages and other compensation.

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

23 (2) In any case the numerator of the fraction shall  
24 include a portion of such expenditures in

1 connection with itinerant employees, such as  
2 traveling salespersons, in this state only a part  
3 of the time, in the proportion that time spent in  
4 Oklahoma bears to total time spent in furtherance  
5 of the enterprise by such employees;

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

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

1           (2) In the case of a railroad or interurban railway  
2           enterprise, the numerator of the fraction shall  
3           not be less than the allocation of revenues to  
4           this state as shown in its annual report to the  
5           Corporation Commission.

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

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



1           one (1) barrel of oil, one (1) gallon of gasoline  
2           or one thousand (1,000) cubic feet of natural or  
3           casinghead gas, as the case may be.

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

23          In any case where the apportionment of the three factors  
24          prescribed in this paragraph attributes to Oklahoma a portion of net

1 income of the enterprise out of all appropriate proportion to the  
2 property owned and/or business transacted within this state, because  
3 of the fact that one or more of the factors so prescribed are not  
4 employed to any appreciable extent in furtherance of the enterprise;  
5 or because one or more factors not so prescribed are employed to a  
6 considerable extent in furtherance of the enterprise; or because of  
7 other reasons, the Tax Commission is empowered to permit, after a  
8 showing by taxpayer that an excessive portion of net income has been  
9 attributed to Oklahoma, or require, when in its judgment an  
10 insufficient portion of net income has been attributed to Oklahoma,  
11 the elimination, substitution, or use of additional factors, or  
12 reduction or increase in the weight of such prescribed factors.  
13 Provided, however, that any such variance from such prescribed  
14 factors which has the effect of increasing the portion of net income  
15 attributable to Oklahoma must not be inherently arbitrary, and  
16 application of the recomputed final apportionment to the net income  
17 of the enterprise must attribute to Oklahoma only a reasonable  
18 portion thereof.

19 6. For calendar years 1997 and 1998, the owner of a new or  
20 expanded agricultural commodity processing facility in this state  
21 may exclude from Oklahoma taxable income, or in the case of an  
22 individual, the Oklahoma adjusted gross income, fifteen percent  
23 (15%) of the investment by the owner in the new or expanded  
24 agricultural commodity processing facility. For calendar year 1999,

1 and all subsequent years, the percentage, not to exceed fifteen  
2 percent (15%), available to the owner of a new or expanded  
3 agricultural commodity processing facility in this state claiming  
4 the exemption shall be adjusted annually so that the total estimated  
5 reduction in tax liability does not exceed One Million Dollars  
6 (\$1,000,000.00) annually. The Tax Commission shall promulgate rules  
7 for determining the percentage of the investment which each eligible  
8 taxpayer may exclude. The exclusion provided by this paragraph  
9 shall be taken in the taxable year when the investment is made. In  
10 the event the total reduction in tax liability authorized by this  
11 paragraph exceeds One Million Dollars (\$1,000,000.00) in any  
12 calendar year, the Tax Commission shall permit any excess over One  
13 Million Dollars (\$1,000,000.00) and shall factor such excess into  
14 the percentage for subsequent years. Any amount of the exemption  
15 permitted to be excluded pursuant to the provisions of this  
16 paragraph but not used in any year may be carried forward as an  
17 exemption from income pursuant to the provisions of this paragraph  
18 for a period not exceeding six (6) years following the year in which  
19 the investment was originally made.

20 For purposes of this paragraph:

- 21 a. "Agricultural commodity processing facility" means  
22 building, structures, fixtures and improvements used  
23 or operated primarily for the processing or production  
24 of marketable products from agricultural commodities.

1           The term shall also mean a dairy operation that  
2           requires a depreciable investment of at least Two  
3           Hundred Fifty Thousand Dollars (\$250,000.00) and which  
4           produces milk from dairy cows. The term does not  
5           include a facility that provides only, and nothing  
6           more than, storage, cleaning, drying or transportation  
7           of agricultural commodities, and

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

- 10           (1) the processing of agricultural commodities,  
11                 including receiving or storing agricultural  
12                 commodities, or the production of milk at a dairy  
13                 operation,  
14           (2) transporting the agricultural commodities or  
15                 product before, during or after the processing,  
16                 or  
17           (3) packaging or otherwise preparing the product for  
18                 sale or shipment.

19           7. Despite any provision to the contrary in paragraph 3 of this  
20           subsection, for taxable years beginning after December 31, 1999, in  
21           the case of a taxpayer which has a farming loss, such farming loss  
22           shall be considered a net operating loss carryback in accordance  
23           with and to the extent of the Internal Revenue Code, 26 U.S.C.,  
24

1 Section 172(b)(G). However, the amount of the net operating loss  
2 carryback shall not exceed the lesser of:

- 3 a. Sixty Thousand Dollars (\$60,000.00), or
- 4 b. the loss properly shown on Schedule F of the Internal  
5 Revenue Service Form 1040 reduced by one-half (1/2) of  
6 the income from all other sources other than reflected  
7 on Schedule F.

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

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

22 10. For taxable years beginning on or after January 1, 2010,  
23 there shall be added to Oklahoma taxable income an amount equal to  
24 the amount of deferred income not included in such taxable income

pursuant to Section 108(i)(1) of the Internal Revenue Code of 1986 as amended by Section 1231 of the American Recovery and Reinvestment Act of 2009 (P.L. No. 111-5). There shall be subtracted from Oklahoma taxable income an amount equal to the amount of deferred income included in such taxable income pursuant to Section 108(i)(1) of the Internal Revenue Code by Section 1231 of the American Recovery and Reinvestment Act of 2009 (P.L. No. 111-5).

11. For taxable years beginning on or after January 1, 2019, there shall be subtracted from Oklahoma taxable income or adjusted gross income any item of income or gain, and there shall be added to Oklahoma taxable income or adjusted gross income any item of loss or deduction that in the absence of an election pursuant to the provisions of the Pass-Through Entity Tax Equity Act of 2019 would be allocated to a member or to an indirect member of an electing pass-through entity pursuant to Section 2351 et seq. of this title, if (i) the electing pass-through entity has accounted for such item in computing its Oklahoma net entity income or loss pursuant to the provisions of the Pass-Through Entity Tax Equity Act of 2019, and (ii) the total amount of tax attributable to any resulting Oklahoma net entity income has been paid. The Oklahoma Tax Commission shall promulgate rules for the reporting of such exclusion to direct and indirect members of the electing pass-through entity. As used in this paragraph, "electing pass-through entity", "indirect member", and "member" shall be defined in the same manner as prescribed by

1 Section ~~2~~ 2355.1P-2 of this ~~act~~ title. Notwithstanding the  
2 application of this paragraph, the adjusted tax basis of any  
3 ownership interest in a pass-through entity for purposes of Section  
4 2351 et seq. of this title shall be equal to its adjusted tax basis  
5 for federal income tax purposes.

6 B. 1. The taxable income of any corporation shall be further  
7 adjusted to arrive at Oklahoma taxable income, except those  
8 corporations electing treatment as provided in subchapter S of the  
9 Internal Revenue Code, 26 U.S.C., Section 1361 et seq., and Section  
10 2365 of this title, deductions pursuant to the provisions of the  
11 Accelerated Cost Recovery System as defined and allowed in the  
12 Economic Recovery Tax Act of 1981, Public Law 97-34, 26 U.S.C.,  
13 Section 168, for depreciation of assets placed into service after  
14 December 31, 1981, shall not be allowed in calculating Oklahoma  
15 taxable income. Such corporations shall be allowed a deduction for  
16 depreciation of assets placed into service after December 31, 1981,  
17 in accordance with provisions of the Internal Revenue Code, 26  
18 U.S.C., Section 1 et seq., in effect immediately prior to the  
19 enactment of the Accelerated Cost Recovery System. The Oklahoma tax  
20 basis for all such assets placed into service after December 31,  
21 1981, calculated in this section shall be retained and utilized for  
22 all Oklahoma income tax purposes through the final disposition of  
23 such assets.

1       Notwithstanding any other provisions of the Oklahoma Income Tax  
2 Act, Section 2351 et seq. of this title, or of the Internal Revenue  
3 Code to the contrary, this subsection shall control calculation of  
4 depreciation of assets placed into service after December 31, 1981,  
5 and before January 1, 1983.

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

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

20       C. 1. For taxable years beginning after December 31, 1987, the  
21 taxable income of any corporation shall be further adjusted to  
22 arrive at Oklahoma taxable income for transfers of technology to  
23 qualified small businesses located in Oklahoma. Such transferor  
24 corporation shall be allowed an exemption from taxable income of an



1 amount equal to the amount of royalty payment received as a result  
2 of such transfer; provided, however, such amount shall not exceed  
3 ten percent (10%) of the amount of gross proceeds received by such  
4 transferor corporation as a result of the technology transfer. Such  
5 exemption shall be allowed for a period not to exceed ten (10) years  
6 from the date of receipt of the first royalty payment accruing from  
7 such transfer. No exemption may be claimed for transfers of  
8 technology to qualified small businesses made prior to January 1,  
9 1988.

10 2. For purposes of this subsection:

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

16 (1) Capitalization of not more than Two Hundred Fifty  
17 Thousand Dollars (\$250,000.00),

18 (2) Having at least fifty percent (50%) of its  
19 employees and assets located in Oklahoma at the  
20 time of the transfer, and

21 (3) Not a subsidiary or affiliate of the transferor  
22 corporation;

23 b. "Technology" means a proprietary process, formula,  
24 pattern, device or compilation of scientific or

1           technical information which is not in the public  
2           domain;

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

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

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

17          2.  As used in this subsection:

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

23                   (1)  the sale of real property or tangible personal  
24                   property located within Oklahoma that has been

1 directly or indirectly owned by the corporation,  
2 estate or trust for a holding period of at least  
3 five (5) years prior to the date of the  
4 transaction from which such net capital gains  
5 arise,

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

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

- 1           b.    "holding period" means an uninterrupted period of  
2               time. The holding period shall include any additional  
3               period when the property was held by another  
4               individual or entity, if such additional period is  
5               included in the taxpayer's holding period for the  
6               asset pursuant to the Internal Revenue Code,
- 7           c.    "Oklahoma company", "limited liability company", or  
8               "partnership" means an entity whose primary  
9               headquarters have been located in Oklahoma for at  
10              least three (3) uninterrupted years prior to the date  
11              of the transaction from which the net capital gains  
12              arise,
- 13          d.    "direct" means the taxpayer directly owns the asset,  
14               and
- 15          e.    "indirect" means the taxpayer owns an interest in a  
16               pass-through entity (or chain of pass-through  
17               entities) that sells the asset that gives rise to the  
18               qualifying gains receiving capital treatment.
- 19              (1) With respect to sales of real property or  
20               tangible personal property located within  
21               Oklahoma, the deduction described in this  
22               subsection shall not apply unless the pass-  
23               through entity that makes the sale has held the  
24               property for not less than five (5) uninterrupted

1 years prior to the date of the transaction that  
2 created the capital gain, and each pass-through  
3 entity included in the chain of ownership has  
4 been a member, partner, or shareholder of the  
5 pass-through entity in the tier immediately below  
6 it for an uninterrupted period of not less than  
7 five (5) years.

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

1 E. The Oklahoma adjusted gross income of any individual  
2 taxpayer shall be further adjusted as follows to arrive at Oklahoma  
3 taxable income:

4 1. a. In the case of individuals, there shall be added or  
5 deducted, as the case may be, the difference necessary  
6 to allow personal exemptions of One Thousand Dollars  
7 (\$1,000.00) in lieu of the personal exemptions allowed  
8 by the Internal Revenue Code.

9 b. There shall be allowed an additional exemption of One  
10 Thousand Dollars (\$1,000.00) for each taxpayer or  
11 spouse who is blind at the close of the tax year. For  
12 purposes of this subparagraph, an individual is blind  
13 only if the central visual acuity of the individual  
14 does not exceed 20/200 in the better eye with  
15 correcting lenses, or if the visual acuity of the  
16 individual is greater than 20/200, but is accompanied  
17 by a limitation in the fields of vision such that the  
18 widest diameter of the visual field subtends an angle  
19 no greater than twenty (20) degrees.

20 c. There shall be allowed an additional exemption of One  
21 Thousand Dollars (\$1,000.00) for each taxpayer or  
22 spouse who is sixty-five (65) years of age or older at  
23 the close of the tax year based upon the filing status  
24 and federal adjusted gross income of the taxpayer.

1 Taxpayers with the following filing status may claim  
2 this exemption if the federal adjusted gross income  
3 does not exceed:

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

12 Provided, for taxable years beginning after December  
13 31, 1999, amounts included in the calculation of  
14 federal adjusted gross income pursuant to the  
15 conversion of a traditional individual retirement  
16 account to a Roth individual retirement account shall  
17 be excluded from federal adjusted gross income for  
18 purposes of the income thresholds provided in this  
19 subparagraph.

- 20 2. a. For taxable years beginning on or before December 31,  
21 2005, in the case of individuals who use the standard  
22 deduction in determining taxable income, there shall  
23 be added or deducted, as the case may be, the  
24 difference necessary to allow a standard deduction in

1            lieu of the standard deduction allowed by the Internal  
2            Revenue Code, in an amount equal to the larger of  
3            fifteen percent (15%) of the Oklahoma adjusted gross  
4            income or One Thousand Dollars (\$1,000.00), but not to  
5            exceed Two Thousand Dollars (\$2,000.00), except that  
6            in the case of a married individual filing a separate  
7            return such deduction shall be the larger of fifteen  
8            percent (15%) of such Oklahoma adjusted gross income  
9            or Five Hundred Dollars (\$500.00), but not to exceed  
10           the maximum amount of One Thousand Dollars  
11           (\$1,000.00).

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

- 20           (1)    Three Thousand Dollars (\$3,000.00), if the filing  
21           status is married filing joint, head of household  
22           or qualifying widow; or  
23           (2)    Two Thousand Dollars (\$2,000.00), if the filing  
24           status is single or married filing separate.



1           c.   For the taxable year beginning on January 1, 2007, and  
2                ending December 31, 2007, in the case of individuals  
3                who use the standard deduction in determining taxable  
4                income, there shall be added or deducted, as the case  
5                may be, the difference necessary to allow a standard  
6                deduction in lieu of the standard deduction allowed by  
7                the Internal Revenue Code, in an amount equal to:

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

11              (2)   Four Thousand One Hundred Twenty-five Dollars  
12                      (\$4,125.00) for a head of household; or

13              (3)   Two Thousand Seven Hundred Fifty Dollars  
14                      (\$2,750.00), if the filing status is single or  
15                      married filing separate.

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

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

4 (2) Four Thousand Eight Hundred Seventy-five Dollars  
5 (\$4,875.00) for a head of household, or

6 (3) Three Thousand Two Hundred Fifty Dollars  
7 (\$3,250.00), if the filing status is single or  
8 married filing separate.

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

16 (1) Eight Thousand Five Hundred Dollars (\$8,500.00),  
17 if the filing status is married filing joint or  
18 qualifying widow, or

19 (2) Six Thousand Three Hundred Seventy-five Dollars  
20 (\$6,375.00) for a head of household, or

21 (3) Four Thousand Two Hundred Fifty Dollars  
22 (\$4,250.00), if the filing status is single or  
23 married filing separate.  
24

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

f. For taxable years beginning on or after January 1, 2010, and ending on December 31, 2016, 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 equal to the standard deduction allowed by the Internal Revenue Code, based upon the amount and filing status prescribed by such Code for purposes of filing federal individual income tax returns.

g. For taxable years beginning on or after January 1, 2017, 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, as follows:

(1) Six Thousand Three Hundred Fifty Dollars  
(\$6,350.00) for single or married filing  
separately,

(2) Twelve Thousand Seven Hundred Dollars  
(\$12,700.00) for married filing jointly or  
qualifying widower with dependent child, and  
(3) Nine Thousand Three Hundred Fifty Dollars  
(\$9,350.00) for head of household.

3. a. In the case of resident and part-year resident individuals having adjusted gross income from sources both within and without the state, the itemized or standard deductions and personal exemptions shall be reduced to an amount which is the same portion of the total thereof as Oklahoma adjusted gross income is of adjusted gross income. To the extent itemized deductions include allowable moving expense, proration of moving expense shall not be required or permitted but allowable moving expense shall be fully deductible for those taxpayers moving within or into Oklahoma and no part of moving expense shall be deductible for those taxpayers moving without or out of Oklahoma. All other itemized or standard deductions and personal exemptions shall be subject to proration as provided by law.
- b. For taxable years beginning on or after January 1, 2018, the net amount of itemized deductions allowable on an Oklahoma income tax return, subject to the

1 provisions of paragraph ~~24~~ 23 of this subsection,  
2 shall not exceed Seventeen Thousand Dollars  
3 (\$17,000.00). For purposes of this subparagraph,  
4 charitable contributions and medical expenses  
5 deductible for federal income tax purposes shall be  
6 excluded from the amount of Seventeen Thousand Dollars  
7 (\$17,000.00) as specified by this subparagraph.

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

20 5. a. Before July 1, 2010, the first One Thousand Five  
21 Hundred Dollars (\$1,500.00) received by any person  
22 from the United States as salary or compensation in  
23 any form, other than retirement benefits, as a member  
24

1 of any component of the Armed Forces of the United  
2 States shall be deducted from taxable income.

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

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

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

16 (2) absence from the State of Oklahoma while on  
17 active duty; or

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

21 the time for filing a return and paying an income tax  
22 shall be and is hereby extended without incurring  
23 liability for interest or penalties, to the fifteenth  
24 day of the third month following the month in which:

- 1                   (a) Such individual shall return to the United  
2                   States if the extension is granted pursuant  
3                   to ~~subparagraph a~~ division (1) of this  
4                   ~~paragraph~~ subparagraph, return to the State  
5                   of Oklahoma if the extension is granted  
6                   pursuant to ~~subparagraph b~~ division (2) of  
7                   this ~~paragraph~~ subparagraph or be discharged  
8                   from such hospital if the extension is  
9                   granted pursuant to ~~subparagraph c~~ division  
10                  (3) of this ~~paragraph~~ subparagraph; or  
11                  (b) An executor, administrator, or conservator  
12                  of the estate of the taxpayer is appointed,  
13                  whichever event occurs the earliest.

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

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

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

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

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

19           c.    For the purpose of this paragraph, "federal income  
20               taxes paid" shall mean federal income taxes, surtaxes  
21               imposed on incomes or excess profits taxes, as though  
22               the taxpayer was on the accrual basis. In determining  
23               the amount of deduction for federal income taxes for  
24               tax year 2001, the amount of the deduction shall not



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

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

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

1 retirement systems created by municipalities pursuant to Section 48-  
2 101 et seq. of Title 11 of the Oklahoma Statutes shall be exempt  
3 from taxable income.

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

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

23 11. In taxable years beginning after December 31, 1995,  
24 contributions made to and interest received from a medical savings

1 account established pursuant to Sections 2621 through 2623 of Title  
2 63 of the Oklahoma Statutes shall be exempt from taxable income.

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

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

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

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

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

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

13           (2) an eligible deferred compensation plan that  
14           satisfies the requirements of Section 457 of the  
15           Internal Revenue Code, 26 U.S.C., Section 457,

16           (3) an individual retirement account, annuity or  
17           trust or simplified employee pension that  
18           satisfies the requirements of Section 408 of the  
19           Internal Revenue Code, 26 U.S.C., Section 408,

20           (4) an employee annuity subject to the provisions of  
21           Section 403(a) or (b) of the Internal Revenue  
22           Code, 26 U.S.C., Section 403(a) or (b),  
23  
24

(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.~~ 14. 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.~~ 15. 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.~~

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

22 b. In taxable years beginning after December 31, 2004,  
23 each taxpayer shall be allowed a deduction for  
24 contributions to accounts established pursuant to the

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

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

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.~~ 17. 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~~ 13 of this subsection.

11       ~~19.~~ 18. 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.~~

- 7       19.   a.    For taxable years beginning after December 31, 2007, a  
8               resident individual may deduct up to Ten Thousand  
9               Dollars (\$10,000.00) from Oklahoma adjusted gross  
10              income if the individual, or the dependent of the  
11              individual, while living, donates one or more human  
12              organs of the individual to another human being for  
13              human organ transplantation. As used in this  
14              paragraph, "human organ" means all or part of a liver,  
15              pancreas, kidney, intestine, lung, or bone marrow. A  
16              deduction that is claimed under this paragraph may be  
17              claimed in the taxable year in which the human organ  
18              transplantation occurs.
- 19           b.    An individual may claim this deduction only once, and  
20               the deduction may be claimed only for unreimbursed  
21               expenses that are incurred by the individual and  
22               related to the organ donation of the individual.
- 23           c.    The Oklahoma Tax Commission shall promulgate rules to  
24               implement the provisions of this paragraph which shall

1 contain a specific list of expenses which may be  
2 presumed to qualify for the deduction. The Tax  
3 Commission shall prescribe necessary requirements for  
4 verification.

5 ~~21.~~ 20. For taxable years beginning after December 31, 2009,  
6 there shall be exempt from taxable income any amount received by the  
7 beneficiary of the death benefit for an emergency medical technician  
8 or a registered emergency medical responder provided by Section 1-  
9 2505.1 of Title 63 of the Oklahoma Statutes.

10 ~~22.~~ 21. For taxable years beginning after December 31, 2008,  
11 taxable income shall be increased by any unemployment compensation  
12 exempted under Section 85(c) of the Internal Revenue Code, 26  
13 U.S.C., Section 85(c) (2009).

14 ~~23.~~ 22. For taxable years beginning after December 31, 2008,  
15 there shall be exempt from taxable income any payment in an amount  
16 less than Six Hundred Dollars (\$600.00) received by a person as an  
17 award for participation in a competitive livestock show event. For  
18 purposes of this paragraph, the payment shall be treated as a  
19 scholarship amount paid by the entity sponsoring the event and the  
20 sponsoring entity shall cause the payment to be categorized as a  
21 scholarship in its books and records.

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

1 the Internal Revenue Code. If the amount of state and local taxes  
2 deducted on the federal return is limited, taxable income on the  
3 state return shall be increased only by the amount actually deducted  
4 after any such limitations are applied.

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

10 2. As used in this subsection:

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

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

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



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

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

20 b. "holding period" means an uninterrupted period of  
21 time. The holding period shall include any additional  
22 period when the property was held by another  
23 individual or entity, if such additional period is  
24

1 included in the taxpayer's holding period for the  
2 asset pursuant to the Internal Revenue Code,

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

9 d. "direct" means the individual taxpayer directly owns  
10 the asset,

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

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

1 pass-through entity in the tier immediately below  
2 it for an uninterrupted period of not less than  
3 five (5) years.

4 (2) With respect to sales of stock or ownership  
5 interest in or sales of all or substantially all  
6 of the assets of an Oklahoma company, limited  
7 liability company, partnership or Oklahoma  
8 proprietorship business enterprise, the deduction  
9 described in this subsection shall not apply  
10 unless the pass-through entity that makes the  
11 sale has held the stock or ownership interest for  
12 not less than two (2) uninterrupted years prior  
13 to the date of the transaction that created the  
14 capital gain, and each pass-through entity  
15 included in the chain of ownership has been a  
16 member, partner or shareholder of the pass-  
17 through entity in the tier immediately below it  
18 for an uninterrupted period of not less than two  
19 (2) years. For purposes of this division,  
20 uninterrupted ownership prior to July 1, 2007,  
21 shall be included in the determination of the  
22 required holding period prescribed by this  
23 division, and  
24

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

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

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

21               a.    the term "real estate investment trust" or "REIT"  
22                       means the meaning ascribed to such term in Section 856  
23                       of the Internal Revenue Code,  
24

1           b.    the term "captive real estate investment trust" means  
2                a real estate investment trust, the shares or  
3                beneficial interests of which are not regularly traded  
4                on an established securities market and more than  
5                fifty percent (50%) of the voting power or value of  
6                the beneficial interests or shares of which are owned  
7                or controlled, directly or indirectly, or  
8                constructively, by a single entity that is:

- 9                (1)   treated as an association taxable as a  
10               corporation under the Internal Revenue Code, and  
11               (2)   not exempt from federal income tax pursuant to  
12               the provisions of Section 501(a) of the Internal  
13               Revenue Code.

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

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

- 22                (1)   any real estate investment trust as defined in  
23                ~~paragraph~~ subparagraph a of this ~~subsection~~  
24

1                   paragraph other than a "captive real estate  
2                   investment trust", or

3                   (2) any qualified real estate investment trust  
4                   subsidiary under Section 856(i) of the Internal  
5                   Revenue Code, other than a qualified REIT  
6                   subsidiary of a "captive real estate investment  
7                   trust", or

8                   (3) any Listed Australian Property Trust (meaning an  
9                   Australian unit trust registered as a "Managed  
10                  Investment Scheme" under the Australian  
11                  Corporations Act in which the principal class of  
12                  units is listed on a recognized stock exchange in  
13                  Australia and is regularly traded on an  
14                  established securities market), or an entity  
15                  organized as a trust, provided that a Listed  
16                  Australian Property Trust owns or controls,  
17                  directly or indirectly, seventy-five percent  
18                  (75%) or more of the voting power or value of the  
19                  beneficial interests or shares of such trust, or

20                  (4) any Qualified Foreign Entity, meaning a  
21                  corporation, trust, association or partnership  
22                  organized outside the laws of the United States  
23                  and which satisfies the following criteria:  
24

- 1 (a) at least seventy-five percent (75%) of the  
2 entity's total asset value at the close of  
3 its taxable year is represented by real  
4 estate assets, as defined in Section  
5 856(c) (5) (B) of the Internal Revenue Code,  
6 thereby including shares or certificates of  
7 beneficial interest in any real estate  
8 investment trust, cash and cash equivalents,  
9 and U.S. Government securities,
- 10 (b) the entity receives a dividend-paid  
11 deduction comparable to Section 561 of the  
12 Internal Revenue Code, or is exempt from  
13 entity level tax,
- 14 (c) the entity is required to distribute at  
15 least eighty-five percent (85%) of its  
16 taxable income, as computed in the  
17 jurisdiction in which it is organized, to  
18 the holders of its shares or certificates of  
19 beneficial interest on an annual basis,
- 20 (d) not more than ten percent (10%) of the  
21 voting power or value in such entity is held  
22 directly or indirectly or constructively by  
23 a single entity or individual, or the shares  
24 or beneficial interests of such entity are

1                   regularly traded on an established  
2                   securities market, and

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

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

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

24          SECTION 3. This act shall become effective January 1, 2021.



1 Passed the House of Representatives the 9th day of March, 2020.

2  
3  
4 Presiding Officer of the House  
of Representatives

5 Passed the Senate the \_\_\_\_ day of \_\_\_\_\_, 2020.

6  
7  
8 Presiding Officer of the Senate