

1 STATE OF OKLAHOMA

2 2nd Session of the 58th Legislature (2022)

3 SENATE BILL 1831

By: Montgomery

6 AS INTRODUCED

7 An Act relating to income tax; amending 68 O.S. 2021,
8 Section 2358, which relates to adjustments to arrive
9 at Oklahoma taxable income and Oklahoma adjusted
10 gross income; decoupling of depreciation to allow for
11 full deduction of certain expenditures; updating
12 statutory language; and providing an effective date.

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

13 SECTION 1. AMENDATORY 68 O.S. 2021, Section 2358, is
14 amended to read as follows:

15 Section 2358. For all tax years beginning after December 31,
16 1981, taxable income and adjusted gross income shall be adjusted to
17 arrive at Oklahoma taxable income and Oklahoma adjusted gross income
18 as required by this section.

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

22 1. There shall be added interest income on obligations of any
23 state or political subdivision thereto which is not otherwise
24 exempted pursuant to other laws of this state, to the extent that

1 such interest is not included in taxable income and adjusted gross
2 income.

3 2. There shall be deducted amounts included in such income that
4 the state is prohibited from taxing because of the provisions of the
5 Federal Constitution, the State Constitution, federal laws, or laws
6 of Oklahoma.

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

9 a. For carryovers and carrybacks to taxable years
10 beginning before January 1, 1981, the amount of any
11 net operating loss deduction allowed to a taxpayer for
12 federal income tax purposes shall be reduced to an
13 amount which is the same portion thereof as the loss
14 from sources within this state, as determined pursuant
15 to this section and Section 2362 of this title, for
16 the taxable year in which such loss is sustained is of
17 the total loss for such year;

18 b. For carryovers and carrybacks to taxable years
19 beginning after December 31, 1980, the amount of any
20 net operating loss deduction allowed for the taxable
21 year shall be an amount equal to the aggregate of the
22 Oklahoma net operating loss carryovers and carrybacks
23 to such year. Oklahoma net operating losses shall be
24 separately determined by reference to Section 172 of

1 the Internal Revenue Code, 26 U.S.C., Section 172, as
2 modified by the Oklahoma Income Tax Act, Section 2351
3 et seq. of this title, and shall be allowed without
4 regard to the existence of a federal net operating
5 loss. For tax years beginning after December 31,
6 2000, and ending before January 1, 2008, the years to
7 which such losses may be carried shall be determined
8 solely by reference to Section 172 of the Internal
9 Revenue Code, 26 U.S.C., Section 172, with the
10 exception that the terms "net operating loss" and
11 "taxable income" shall be replaced with "Oklahoma net
12 operating loss" and "Oklahoma taxable income". For
13 tax years beginning after December 31, 2007, and
14 ending before January 1, 2009, years to which such
15 losses may be carried back shall be limited to two (2)
16 years. For tax years beginning after December 31,
17 2008, the years to which such losses may be carried
18 back shall be determined solely by reference to
19 Section 172 of the Internal Revenue Code, 26 U.S.C.,
20 Section 172, with the exception that the terms "net
21 operating loss" and "taxable income" shall be replaced
22 with "Oklahoma net operating loss" and "Oklahoma
23 taxable income".
24

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

6 a. Income from real and tangible personal property, such
7 as rents, oil and mining production or royalties, and
8 gains or losses from sales of such property, shall be
9 allocated in accordance with the situs of such
10 property;

11 b. Income from intangible personal property, such as
12 interest, dividends, patent or copyright royalties,
13 and gains or losses from sales of such property, shall
14 be allocated in accordance with the domiciliary situs
15 of the taxpayer, except that:

16 (1) where such property has acquired a nonunitary
17 business or commercial situs apart from the
18 domicile of the taxpayer such income shall be
19 allocated in accordance with such business or
20 commercial situs; interest income from
21 investments held to generate working capital for
22 a unitary business enterprise shall be included
23 in apportionable income; a resident trust or
24 resident estate shall be treated as having a

1 separate commercial or business situs insofar as
2 undistributed income is concerned, but shall not
3 be treated as having a separate commercial or
4 business situs insofar as distributed income is
5 concerned,

- 6 (2) for taxable years beginning after December 31,
7 2003, capital or ordinary gains or losses from
8 the sale of an ownership interest in a publicly
9 traded partnership, as defined by Section 7704(b)
10 of the Internal Revenue Code, shall be allocated
11 to this state in the ratio of the original cost
12 of such partnership's tangible property in this
13 state to the original cost of such partnership's
14 tangible property everywhere, as determined at
15 the time of the sale; if more than fifty percent
16 (50%) of the value of the partnership's assets
17 consists of intangible assets, capital or
18 ordinary gains or losses from the sale of an
19 ownership interest in the partnership shall be
20 allocated to this state in accordance with the
21 sales factor of the partnership for its first
22 full tax period immediately preceding its tax
23 period during which the ownership interest in the
24 partnership was sold; the provisions of this

1 division shall only apply if the capital or
2 ordinary gains or losses from the sale of an
3 ownership interest in a partnership do not
4 constitute qualifying gain receiving capital
5 treatment as defined in subparagraph a of
6 paragraph 2 of subsection F of this section,

7 (3) income from such property which is required to be
8 allocated pursuant to the provisions of paragraph
9 5 of this subsection shall be allocated as herein
10 provided;

11 c. Net income or loss from a business activity which is
12 not a part of business carried on within or without
13 the state of a unitary character shall be separately
14 allocated to the state in which such activity is
15 conducted;

16 d. In the case of a manufacturing or processing
17 enterprise the business of which in Oklahoma consists
18 solely of marketing its products by:

19 (1) sales having a situs without this state, shipped
20 directly to a point from without the state to a
21 purchaser within the state, commonly known as
22 interstate sales,

23 (2) sales of the product stored in public warehouses
24 within the state pursuant to "in transit"

tariffs, as prescribed and allowed by the
Interstate Commerce Commission, to a purchaser
within the state,

(3) sales of the product stored in public warehouses
within the state where the shipment to such
warehouses is not covered by "in transit"
tariffs, as prescribed and allowed by the
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 (1) except as otherwise provided by division (2) of
2 this subparagraph, taxable income of an insurance
3 company for a taxable year shall be apportioned
4 to this state by multiplying such income by a
5 fraction, the numerator of which is the direct
6 premiums written for insurance on property or
7 risks in this state, and the denominator of which
8 is the direct premiums written for insurance on
9 property or risks everywhere. For purposes of
10 this subsection, the term "direct premiums
11 written" means the total amount of direct
12 premiums written, assessments and annuity
13 considerations as reported for the taxable year
14 on the annual statement filed by the company with
15 the Insurance Commissioner in the form approved
16 by the National Association of Insurance
17 Commissioners, or such other form as may be
18 prescribed in lieu thereof,

19 (2) if the principal source of premiums written by an
20 insurance company consists of premiums for
21 reinsurance accepted by it, the taxable income of
22 such company shall be apportioned to this state
23 by multiplying such income by a fraction, the
24 numerator of which is the sum of (a) direct

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

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

1 percent (50%) of the apportionment factor. The apportionment
2 factors shall be computed as follows:

3 a. The property factor is a fraction, the numerator of
4 which is the average value of the taxpayer's real and
5 tangible personal property owned or rented and used in
6 this state during the tax period and the denominator
7 of which is the average value of all the taxpayer's
8 real and tangible personal property everywhere owned
9 or rented and used during the tax period.

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

23 (2) Property owned by the taxpayer is valued at its
24 original cost. Property rented by the taxpayer

1 is valued at eight times the net annual rental
2 rate. Net annual rental rate is the annual
3 rental rate paid by the taxpayer, less any annual
4 rental rate received by the taxpayer from
5 subrentals,

6 (3) The average value of property shall be determined
7 by averaging the values at the beginning and
8 ending of the tax period, but the Oklahoma Tax
9 Commission may require the averaging of monthly
10 values during the tax period if reasonably
11 required to reflect properly the average value of
12 the taxpayer's property;

13 b. The payroll factor is a fraction, the numerator of
14 which is the total compensation for services rendered
15 in the state during the tax period, and the
16 denominator of which is the total compensation for
17 services rendered everywhere during the tax period.
18 "Compensation", as used in this subsection means those
19 paid-for services to the extent related to the unitary
20 business but does not include officers' salaries,
21 wages, and other compensation.

22 (1) In the case of a transportation enterprise, the
23 numerator of the fraction shall include a portion
24 of such expenditure in connection with employees

1 operating equipment over a fixed route, such as
2 railroad employees, airline pilots, or bus
3 drivers, in this state only a part of the time,
4 in the proportion that mileage traveled in
5 Oklahoma bears to total mileage traveled by such
6 employees,

7 (2) In any case the numerator of the fraction shall
8 include a portion of such expenditures in
9 connection with itinerant employees, such as
10 traveling salespersons, in this state only a part
11 of the time, in the proportion that time spent in
12 Oklahoma bears to total time spent in furtherance
13 of the enterprise by such employees;

14 c. The sales factor is a fraction, the numerator of which
15 is the total sales or gross revenue of the taxpayer in
16 this state during the tax period, and the denominator
17 of which is the total sales or gross revenue of the
18 taxpayer everywhere during the tax period. "Sales",
19 as used in this subsection does not include sales or
20 gross revenue which are separately allocated in
21 paragraph 4 of this subsection.

22 (1) Sales of tangible personal property have a situs
23 in this state if the property is delivered or
24 shipped to a purchaser other than the United
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1 States government, within this state regardless
2 of the FOB point or other conditions of the sale;
3 or the property is shipped from an office, store,
4 warehouse, factory, or other place of storage in
5 this state and (a) the purchaser is the United
6 States government or (b) the taxpayer is not
7 doing business in the state of the destination of
8 the shipment.

9 (2) In the case of a railroad or interurban railway
10 enterprise, the numerator of the fraction shall
11 not be less than the allocation of revenues to
12 this state as shown in its annual report to the
13 Corporation Commission.

14 (3) In the case of an airline, truck, or bus
15 enterprise or freight car, tank car, refrigerator
16 car, or other railroad equipment enterprise, the
17 numerator of the fraction shall include a portion
18 of revenue from interstate transportation in the
19 proportion that interstate mileage traveled in
20 Oklahoma bears to total interstate mileage
21 traveled.

22 (4) In the case of an oil, gasoline or gas pipeline
23 enterprise, the numerator of the fraction shall
24 be either the total of traffic units of the
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1 enterprise within Oklahoma or the revenue
2 allocated to Oklahoma based upon miles moved, at
3 the option of the taxpayer, and the denominator
4 of which shall be the total of traffic units of
5 the enterprise or the revenue of the enterprise
6 everywhere as appropriate to the numerator. A
7 "traffic unit" is hereby defined as the
8 transportation for a distance of one (1) mile of
9 one (1) barrel of oil, one (1) gallon of
10 gasoline, or one thousand (1,000) cubic feet of
11 natural or casinghead gas, as the case may be.

- 12 (5) In the case of a telephone or telegraph or other
13 communication enterprise, the numerator of the
14 fraction shall include that portion of the
15 interstate revenue as is allocated pursuant to
16 the accounting procedures prescribed by the
17 Federal Communications Commission; provided that
18 in respect to each corporation or business entity
19 required by the Federal Communications Commission
20 to keep its books and records in accordance with
21 a uniform system of accounts prescribed by such
22 Commission, the intrastate net income shall be
23 determined separately in the manner provided by
24 such uniform system of accounts and only the

1 interstate income shall be subject to allocation
2 pursuant to the provisions of this subsection.
3 Provided further, that the gross revenue factors
4 shall be those as are determined pursuant to the
5 accounting procedures prescribed by the Federal
6 Communications Commission.

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

1 of the enterprise must attribute to Oklahoma only a reasonable
2 portion thereof.

3 6. For calendar years 1997 and 1998, the owner of a new or
4 expanded agricultural commodity processing facility in this state
5 may exclude from Oklahoma taxable income, or in the case of an
6 individual, the Oklahoma adjusted gross income, fifteen percent
7 (15%) of the investment by the owner in the new or expanded
8 agricultural commodity processing facility. For calendar year 1999,
9 and all subsequent years, the percentage, not to exceed fifteen
10 percent (15%), available to the owner of a new or expanded
11 agricultural commodity processing facility in this state claiming
12 the exemption shall be adjusted annually so that the total estimated
13 reduction in tax liability does not exceed One Million Dollars
14 (\$1,000,000.00) annually. The Tax Commission shall promulgate rules
15 for determining the percentage of the investment which each eligible
16 taxpayer may exclude. The exclusion provided by this paragraph
17 shall be taken in the taxable year when the investment is made. In
18 the event the total reduction in tax liability authorized by this
19 paragraph exceeds One Million Dollars (\$1,000,000.00) in any
20 calendar year, the Tax Commission shall permit any excess over One
21 Million Dollars (\$1,000,000.00) and shall factor such excess into
22 the percentage for subsequent years. Any amount of the exemption
23 permitted to be excluded pursuant to the provisions of this
24 paragraph but not used in any year may be carried forward as an

1 exemption from income pursuant to the provisions of this paragraph
2 for a period not exceeding six (6) years following the year in which
3 the investment was originally made.

4 For purposes of this paragraph:

5 a. "Agricultural commodity processing facility" means
6 building, structures, fixtures and improvements used
7 or operated primarily for the processing or production
8 of marketable products from agricultural commodities.
9 The term shall also mean a dairy operation that
10 requires a depreciable investment of at least Two
11 Hundred Fifty Thousand Dollars (\$250,000.00) and which
12 produces milk from dairy cows. The term does not
13 include a facility that provides only, and nothing
14 more than, storage, cleaning, drying or transportation
15 of agricultural commodities, and

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

18 (1) the processing of agricultural commodities,
19 including receiving or storing agricultural
20 commodities, or the production of milk at a dairy
21 operation,

22 (2) transporting the agricultural commodities or
23 product before, during or after the processing,
24 or

1 (3) packaging or otherwise preparing the product for
2 sale or shipment.

3 7. Despite any provision to the contrary in paragraph 3 of this
4 subsection, for taxable years beginning after December 31, 1999, in
5 the case of a taxpayer which has a farming loss, such farming loss
6 shall be considered a net operating loss carryback in accordance
7 with and to the extent of the Internal Revenue Code, 26 U.S.C.,
8 Section 172(b)(G). However, the amount of the net operating loss
9 carryback shall not exceed the lesser of:

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

15 8. In taxable years beginning after December 31, 1995, all
16 qualified wages equal to the federal income tax credit set forth in
17 26 U.S.C.A., Section 45A, shall be deducted from taxable income.
18 The deduction allowed pursuant to this paragraph shall only be
19 permitted for the tax years in which the federal tax credit pursuant
20 to 26 U.S.C.A., Section 45A, is allowed. For purposes of this
21 paragraph, "qualified wages" means those wages used to calculate the
22 federal credit pursuant to 26 U.S.C.A., Section 45A.

23 9. In taxable years beginning after December 31, 2005, an
24 employer that is eligible for and utilizes the Safety Pays OSHA

1 Consultation Service provided by the ~~Oklahoma~~ Department of Labor
2 shall receive an exemption from taxable income in the amount of One
3 Thousand Dollars (\$1,000.00) for the tax year that the service is
4 utilized.

5 10. For taxable years beginning on or after January 1, 2010,
6 there shall be added to Oklahoma taxable income an amount equal to
7 the amount of deferred income not included in such taxable income
8 pursuant to Section 108(i)(1) of the Internal Revenue Code of 1986
9 as amended by Section 1231 of the American Recovery and Reinvestment
10 Act of 2009 (P.L. No. 111-5). There shall be subtracted from
11 Oklahoma taxable income an amount equal to the amount of deferred
12 income included in such taxable income pursuant to Section 108(i)(1)
13 of the Internal Revenue Code by Section 1231 of the American
14 Recovery and Reinvestment Act of 2009 (P.L. No. 111-5).

15 11. For taxable years beginning on or after January 1, 2019,
16 there shall be subtracted from Oklahoma taxable income or adjusted
17 gross income any item of income or gain, and there shall be added to
18 Oklahoma taxable income or adjusted gross income any item of loss or
19 deduction that in the absence of an election pursuant to the
20 provisions of the Pass-Through Entity Tax Equity Act of 2019 would
21 be allocated to a member or to an indirect member of an electing
22 pass-through entity pursuant to Section 2351 et seq. of this title,
23 if (i) the electing pass-through entity has accounted for such item
24 in computing its Oklahoma net entity income or loss pursuant to the

1 provisions of the Pass-Through Entity Tax Equity Act of 2019, and
2 (ii) the total amount of tax attributable to any resulting Oklahoma
3 net entity income has been paid. The Oklahoma Tax Commission shall
4 promulgate rules for the reporting of such exclusion to direct and
5 indirect members of the electing pass-through entity. As used in
6 this paragraph, "electing pass-through entity", "indirect member",
7 and "member" shall be defined in the same manner as prescribed by
8 Section 2355.1P-2 of this title. Notwithstanding the application of
9 this paragraph, the adjusted tax basis of any ownership interest in
10 a pass-through entity for purposes of Section 2351 et seq. of this
11 title shall be equal to its adjusted tax basis for federal income
12 tax purposes.

13 B. 1. The taxable income of any corporation shall be further
14 adjusted to arrive at Oklahoma taxable income, except those
15 corporations electing treatment as provided in subchapter S of the
16 Internal Revenue Code, 26 U.S.C., Section 1361 et seq., and Section
17 2365 of this title, deductions pursuant to the provisions of the
18 Accelerated Cost Recovery System as defined and allowed in the
19 Economic Recovery Tax Act of 1981, Public Law 97-34, 26 U.S.C.,
20 Section 168, for depreciation of assets placed into service after
21 December 31, 1981, shall not be allowed in calculating Oklahoma
22 taxable income. Such corporations shall be allowed a deduction for
23 depreciation of assets placed into service after December 31, 1981,
24 in accordance with provisions of the Internal Revenue Code, 26

1 U.S.C., Section 1 et seq., in effect immediately prior to the
2 enactment of the Accelerated Cost Recovery System. The Oklahoma tax
3 basis for all such assets placed into service after December 31,
4 1981, calculated in this section shall be retained and utilized for
5 all Oklahoma income tax purposes through the final disposition of
6 such assets.

7 Notwithstanding any other provisions of the Oklahoma Income Tax
8 Act, Section 2351 et seq. of this title, or of the Internal Revenue
9 Code to the contrary, this ~~subsection~~ paragraph shall control
10 calculation of depreciation of assets placed into service after
11 December 31, 1981, and before January 1, 1983.

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

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

3 3. For tax year 2023 and subsequent tax years, there shall be
4 allowed an adjustment to taxable income in addition to the
5 depreciation deduction allowed pursuant to 26 U.S.C., Section
6 167(a), of an amount required to equal one hundred percent (100%) of
7 the cost of expenditures for assets that are qualified property or
8 qualified improvement property, as defined pursuant to the
9 provisions of the Internal Revenue Code, 26 U.S.C., Section 168, for
10 the tax year in which the property is placed in service.

11 C. 1. For taxable years beginning after December 31, 1987, the
12 taxable income of any corporation shall be further adjusted to
13 arrive at Oklahoma taxable income for transfers of technology to
14 qualified small businesses located in Oklahoma. Such transferor
15 corporation shall be allowed an exemption from taxable income of an
16 amount equal to the amount of royalty payment received as a result
17 of such transfer; provided, however, such amount shall not exceed
18 ten percent (10%) of the amount of gross proceeds received by such
19 transferor corporation as a result of the technology transfer. Such
20 exemption shall be allowed for a period not to exceed ten (10) years
21 from the date of receipt of the first royalty payment accruing from
22 such transfer. No exemption may be claimed for transfers of
23 technology to qualified small businesses made prior to January 1,
24 1988.

1 2. For purposes of this subsection:

2 a. "Qualified small business" means an entity, whether
3 organized as a corporation, partnership, or
4 proprietorship, organized for profit with its
5 principal place of business located within this state
6 and which meets the following criteria:

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

9 (2) Having at least fifty percent (50%) of its
10 employees and assets located in Oklahoma at the
11 time of the transfer, and

12 (3) Not a subsidiary or affiliate of the transferor
13 corporation;

14 b. "Technology" means a proprietary process, formula,
15 pattern, device, or compilation of scientific or
16 technical information which is not in the public
17 domain;

18 c. "Transferor corporation" means a corporation which is
19 the exclusive and undisputed owner of the technology
20 at the time the transfer is made; and

21 d. "Gross proceeds" means the total amount of
22 consideration for the transfer of technology, whether
23 the consideration is in money or otherwise.

1 D. 1. For taxable years beginning after December 31, 2005, the
2 taxable income of any corporation, estate, or trust, shall be
3 further adjusted for qualifying gains receiving capital treatment.
4 Such corporations, estates, or trusts shall be allowed a deduction
5 from Oklahoma taxable income for the amount of qualifying gains
6 receiving capital treatment earned by the corporation, estate, or
7 trust during the taxable year and included in the federal taxable
8 income of such corporation, estate, or trust.

9 2. As used in this subsection:

10 a. "qualifying gains receiving capital treatment" means
11 the amount of net capital gains, as defined in Section
12 1222(11) of the Internal Revenue Code, included in the
13 federal income tax return of the corporation, estate,
14 or trust that result from:

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

22 (2) the sale of stock or on the sale of an ownership
23 interest in an Oklahoma company, limited
24 liability company, or partnership where such

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

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

17 b. "holding period" means an uninterrupted period of
18 time. The holding period shall include any additional
19 period when the property was held by another
20 individual or entity, if such additional period is
21 included in the taxpayer's holding period for the
22 asset pursuant to the Internal Revenue Code,

23 c. "Oklahoma company", "limited liability company", or
24 "partnership" means an entity whose primary

1 headquarters have been located in Oklahoma for at
2 least three (3) uninterrupted years prior to the date
3 of the transaction from which the net capital gains
4 arise,

5 d. "direct" means the taxpayer directly owns the asset,
6 and

7 e. "indirect" means the taxpayer owns an interest in a
8 pass-through entity (or chain of pass-through
9 entities) that sells the asset that gives rise to the
10 qualifying gains receiving capital treatment.

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

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

16 E. The Oklahoma adjusted gross income of any individual
17 taxpayer shall be further adjusted as follows to arrive at Oklahoma
18 taxable income:

- 19 1. a. In the case of individuals, there shall be added or
20 deducted, as the case may be, the difference necessary
21 to allow personal exemptions of One Thousand Dollars
22 (\$1,000.00) in lieu of the personal exemptions allowed
23 by the Internal Revenue Code.
24

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

12 c. There shall be allowed an additional exemption of One
13 Thousand Dollars (\$1,000.00) for each taxpayer or
14 spouse who is sixty-five (65) years of age or older at
15 the close of the tax year based upon the filing status
16 and federal adjusted gross income of the taxpayer.
17 Taxpayers with the following filing status may claim
18 this exemption if the federal adjusted gross income
19 does not exceed:

- 20 (1) Twenty-five Thousand Dollars (\$25,000.00) if
21 married and filing jointly;
22 (2) Twelve Thousand Five Hundred Dollars (\$12,500.00)
23 if married and filing separately;

(3) Fifteen Thousand Dollars (\$15,000.00) if single;
and

(4) Nineteen Thousand Dollars (\$19,000.00) if a
qualifying head of household.

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

2. a. For taxable years beginning on or before December 31,
2005, 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, in an amount equal to the larger of
fifteen percent (15%) of the Oklahoma adjusted gross
income or One Thousand Dollars (\$1,000.00), but not to
exceed Two Thousand Dollars (\$2,000.00), except that
in the case of a married individual filing a separate
return such deduction shall be the larger of fifteen

1 percent (15%) of such Oklahoma adjusted gross income
2 or Five Hundred Dollars (\$500.00), but not to exceed
3 the maximum amount of One Thousand Dollars
4 (\$1,000.00).

5 b. For taxable years beginning on or after January 1,
6 2006, and before January 1, 2007, in the case of
7 individuals who use the standard deduction in
8 determining taxable income, there shall be added or
9 deducted, as the case may be, the difference necessary
10 to allow a standard deduction in lieu of the standard
11 deduction allowed by the Internal Revenue Code, in an
12 amount equal to:

- 13 (1) Three Thousand Dollars (\$3,000.00), if the filing
14 status is married filing joint, head of
15 household, or qualifying widow; or
16 (2) Two Thousand Dollars (\$2,000.00), if the filing
17 status is single or married filing separate.

18 c. For the taxable year beginning on January 1, 2007, and
19 ending December 31, 2007, in the case of individuals
20 who use the standard deduction in determining taxable
21 income, there shall be added or deducted, as the case
22 may be, the difference necessary to allow a standard
23 deduction in lieu of the standard deduction allowed by
24 the Internal Revenue Code, in an amount equal to:

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

4 (2) Four Thousand One Hundred Twenty-five Dollars
5 (\$4,125.00) for a head of household; or

6 (3) Two Thousand Seven Hundred Fifty Dollars
7 (\$2,750.00), if the filing status is single or
8 married filing separate.

9 d. For the taxable year beginning on January 1, 2008, and
10 ending December 31, 2008, 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) Six Thousand Five Hundred Dollars (\$6,500.00), if
17 the filing status is married filing joint or
18 qualifying widow, or

19 (2) Four Thousand Eight Hundred Seventy-five Dollars
20 (\$4,875.00) for a head of household, or

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

1 e. For the taxable year beginning on January 1, 2009, and
2 ending December 31, 2009, 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) Eight Thousand Five Hundred Dollars (\$8,500.00),
9 if the filing status is married filing joint or
10 qualifying widow, or

11 (2) Six Thousand Three Hundred Seventy-five Dollars
12 (\$6,375.00) for a head of household, or

13 (3) Four Thousand Two Hundred Fifty Dollars
14 (\$4,250.00), if the filing status is single or
15 married filing separate.

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

19 f. For taxable years beginning on or after January 1,
20 2010, and ending on December 31, 2016, in the case of
21 individuals who use the standard deduction in
22 determining taxable income, there shall be added or
23 deducted, as the case may be, the difference necessary
24 to allow a standard deduction equal to the standard
25

1 deduction allowed by the Internal Revenue Code, based
2 upon the amount and filing status prescribed by such
3 Code for purposes of filing federal individual income
4 tax returns.

5 g. For taxable years beginning on or after January 1,
6 2017, in the case of individuals who use the standard
7 deduction in determining taxable income, there shall
8 be added or deducted, as the case may be, the
9 difference necessary to allow a standard deduction in
10 lieu of the standard deduction allowed by the Internal
11 Revenue Code, as follows:

12 (1) Six Thousand Three Hundred Fifty Dollars

13 (\$6,350.00) for single or married filing
14 separately,

15 (2) Twelve Thousand Seven Hundred Dollars

16 (\$12,700.00) for married filing jointly or
17 qualifying widower with dependent child, and

18 (3) Nine Thousand Three Hundred Fifty Dollars

19 (\$9,350.00) for head of household.

20 3. a. In the case of resident and part-year resident
21 individuals having adjusted gross income from sources
22 both within and without the state, the itemized or
23 standard deductions and personal exemptions shall be
24 reduced to an amount which is the same portion of the
25

1 total thereof as Oklahoma adjusted gross income is of
2 adjusted gross income. To the extent itemized
3 deductions include allowable moving expense, proration
4 of moving expense shall not be required or permitted
5 but allowable moving expense shall be fully deductible
6 for those taxpayers moving within or into Oklahoma and
7 no part of moving expense shall be deductible for
8 those taxpayers moving without or out of Oklahoma.
9 All other itemized or standard deductions and personal
10 exemptions shall be subject to proration as provided
11 by law.

- 12 b. For taxable years beginning on or after January 1,
13 2018, the net amount of itemized deductions allowable
14 on an Oklahoma income tax return, subject to the
15 provisions of paragraph 24 of this subsection, shall
16 not exceed Seventeen Thousand Dollars (\$17,000.00).
17 For purposes of this subparagraph, charitable
18 contributions and medical expenses deductible for
19 federal income tax purposes shall be excluded from the
20 amount of Seventeen Thousand Dollars (\$17,000.00) as
21 specified by this subparagraph.

22 4. A resident individual with a physical disability
23 constituting a substantial handicap to employment may deduct from
24 Oklahoma adjusted gross income such expenditures to modify a motor
25

1 vehicle, home, or workplace as are necessary to compensate for his
2 or her handicap. A veteran certified by the Department of Veterans
3 Affairs of the federal government as having a service-connected
4 disability shall be conclusively presumed to be an individual with a
5 physical disability constituting a substantial handicap to
6 employment. The Tax Commission shall promulgate rules containing a
7 list of combinations of common disabilities and modifications which
8 may be presumed to qualify for this deduction. The Tax Commission
9 shall prescribe necessary requirements for verification.

10 5. a. Before July 1, 2010, the first One Thousand Five
11 Hundred Dollars (\$1,500.00) received by any person
12 from the United States as salary or compensation in
13 any form, other than retirement benefits, as a member
14 of any component of the Armed Forces of the United
15 States shall be deducted from taxable income.

16 b. On or after July 1, 2010, one hundred percent (100%)
17 of the income received by any person from the United
18 States as salary or compensation in any form, other
19 than retirement benefits, as a member of any component
20 of the Armed Forces of the United States shall be
21 deducted from taxable income.

22 c. Whenever the filing of a timely income tax return by a
23 member of the Armed Forces of the United States is
24

1 made impracticable or impossible of accomplishment by
2 reason of:

- 3 (1) absence from the United States, which term
4 includes only the states and the District of
5 Columbia;
- 6 (2) absence from ~~the State of Oklahoma~~ this state
7 while on active duty; or
- 8 (3) confinement in a hospital within the United
9 States for treatment of wounds, injuries, or
10 disease,

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

- 15 (a) Such individual shall return to the United
16 States if the extension is granted pursuant
17 to subparagraph a of this paragraph, return
18 to ~~the State of Oklahoma~~ this state if the
19 extension is granted pursuant to
20 subparagraph b of this paragraph or be
21 discharged from such hospital if the
22 extension is granted pursuant to
23 subparagraph c of this paragraph; or

1 (b) An executor, administrator, or conservator
2 of the estate of the taxpayer is appointed,
3 whichever event occurs the earliest.

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

12 6. Before July 1, 2010, the salary or any other form of
13 compensation, received from the United States by a member of any
14 component of the Armed Forces of the United States, shall be
15 deducted from taxable income during the time in which the person is
16 detained by the enemy in a conflict, is a prisoner of war or is
17 missing in action and not deceased; provided, after July 1, 2010,
18 all such salary or compensation shall be subject to the deduction as
19 provided pursuant to paragraph 5 of this subsection.

20 7. a. An individual taxpayer, whether resident or
21 nonresident, may deduct an amount equal to the federal
22 income taxes paid by the taxpayer during the taxable
23 year.

1 b. Federal taxes as described in subparagraph a of this
2 paragraph shall be deductible by any individual
3 taxpayer, whether resident or nonresident, only to the
4 extent they relate to income subject to taxation
5 pursuant to the provisions of the Oklahoma Income Tax
6 Act. The maximum amount allowable in the preceding
7 paragraph shall be prorated on the ratio of the
8 Oklahoma adjusted gross income to federal adjusted
9 gross income.

10 c. For the purpose of this paragraph, "federal income
11 taxes paid" shall mean federal income taxes, surtaxes
12 imposed on incomes or excess profits taxes, as though
13 the taxpayer was on the accrual basis. In determining
14 the amount of deduction for federal income taxes for
15 tax year 2001, the amount of the deduction shall not
16 be adjusted by the amount of any accelerated ten
17 percent (10%) tax rate bracket credit or advanced
18 refund of the credit received during the tax year
19 provided pursuant to the federal Economic Growth and
20 Tax Relief Reconciliation Act of 2001, P.L. No. 107-
21 16, and the advanced refund of such credit shall not
22 be subject to taxation.

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

4 8. Retirement benefits not to exceed Five Thousand Five Hundred
5 Dollars (\$5,500.00) for the 2004 tax year, Seven Thousand Five
6 Hundred Dollars (\$7,500.00) for the 2005 tax year and Ten Thousand
7 Dollars (\$10,000.00) for the 2006 tax year and all subsequent tax
8 years, which are received by an individual from the civil service of
9 the United States, the Oklahoma Public Employees Retirement System,
10 the Teachers' Retirement System of Oklahoma, the Oklahoma Law
11 Enforcement Retirement System, the Oklahoma Firefighters Pension and
12 Retirement System, the Oklahoma Police Pension and Retirement
13 System, the employee retirement systems created by counties pursuant
14 to Section 951 et seq. of Title 19 of the Oklahoma Statutes, the
15 Uniform Retirement System for Justices and Judges, the Oklahoma
16 Wildlife Conservation Department Retirement Fund, the Oklahoma
17 Employment Security Commission Retirement Plan, or the employee
18 retirement systems created by municipalities pursuant to Section 48-
19 101 et seq. of Title 11 of the Oklahoma Statutes shall be exempt
20 from taxable income.

21 9. In taxable years beginning after December 31, 1984, Social
22 Security benefits received by an individual shall be exempt from
23 taxable income, to the extent such benefits are included in the
24

1 federal adjusted gross income pursuant to the provisions of Section
2 86 of the Internal Revenue Code, 26 U.S.C., Section 86.

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

17 11. In taxable years beginning after December 31, 1995,
18 contributions made to and interest received from a medical savings
19 account established pursuant to Sections 2621 through 2623 of Title
20 63 of the Oklahoma Statutes shall be exempt from taxable income.

21 12. For taxable years beginning after December 31, 1996, the
22 Oklahoma adjusted gross income of any individual taxpayer who is a
23 swine or poultry producer may be further adjusted for the deduction
24 for depreciation allowed for new construction or expansion costs
25

1 which may be computed using the same depreciation method elected for
2 federal income tax purposes except that the useful life shall be
3 seven (7) years for purposes of this paragraph. If depreciation is
4 allowed as a deduction in determining the adjusted gross income of
5 an individual, any depreciation calculated and claimed pursuant to
6 this section shall in no event be a duplication of any depreciation
7 allowed or permitted on the federal income tax return of the
8 individual.

9 13. a. In taxable years beginning after December 31, 2002,
10 nonrecurring adoption expenses paid by a resident
11 individual taxpayer in connection with:

12 (1) the adoption of a minor, or

13 (2) a proposed adoption of a minor which did not
14 result in a decreed adoption,

15 may be deducted from the Oklahoma adjusted gross
16 income.

17 b. The deductions for adoptions and proposed adoptions
18 authorized by this paragraph shall not exceed Twenty
19 Thousand Dollars (\$20,000.00) per calendar year.

20 c. The Tax Commission shall promulgate rules to implement
21 the provisions of this paragraph which shall contain a
22 specific list of nonrecurring adoption expenses which
23 may be presumed to qualify for the deduction. The Tax
24

1 Commission shall prescribe necessary requirements for
2 verification.

3 d. "Nonrecurring adoption expenses" means adoption fees,
4 court costs, medical expenses, attorney fees, and
5 expenses which are directly related to the legal
6 process of adoption of a child including, but not
7 limited to, costs relating to the adoption study,
8 health and psychological examinations, transportation, and
9 and reasonable costs of lodging and food for the child
10 or adoptive parents which are incurred to complete the
11 adoption process and are not reimbursed by other
12 sources. The term "nonrecurring adoption expenses"
13 shall not include attorney fees incurred for the
14 purpose of litigating a contested adoption, from and
15 after the point of the initiation of the contest,
16 costs associated with physical remodeling, renovation, and
17 and alteration of the adoptive parents' home or
18 property, except for a special needs child as
19 authorized by the court.

20 14. a. In taxable years beginning before January 1, 2005,
21 retirement benefits not to exceed the amounts
22 specified in this paragraph, which are received by an
23 individual sixty-five (65) years of age or older and
24 whose Oklahoma adjusted gross income is Twenty-five
25

1 Thousand Dollars (\$25,000.00) or less if the filing
2 status is single, head of household, or married filing
3 separate, or Fifty Thousand Dollars (\$50,000.00) or
4 less if the filing status is married filing joint or
5 qualifying widow, shall be exempt from taxable income.
6 In taxable years beginning after December 31, 2004,
7 retirement benefits not to exceed the amounts
8 specified in this paragraph, which are received by an
9 individual whose Oklahoma adjusted gross income is
10 less than the qualifying amount specified in this
11 paragraph, shall be exempt from taxable income.

12 b. For purposes of this paragraph, the qualifying amount
13 shall be as follows:

- 14 (1) in taxable years beginning after December 31,
15 2004, and prior to January 1, 2007, the
16 qualifying amount shall be Thirty-seven Thousand
17 Five Hundred Dollars (\$37,500.00) or less if the
18 filing status is single, head of household, or
19 married filing separate, or Seventy-five Thousand
20 Dollars (\$75,000.00) or less if the filing status
21 is married filing jointly or qualifying widow,
22 (2) in the taxable year beginning January 1, 2007,
23 the qualifying amount shall be Fifty Thousand
24 Dollars (\$50,000.00) or less if the filing status

1 is single, head of household, or married filing
2 separate, or One Hundred Thousand Dollars
3 (\$100,000.00) or less if the filing status is
4 married filing jointly or qualifying widow,

5 (3) in the taxable year beginning January 1, 2008,
6 the qualifying amount shall be Sixty-two Thousand
7 Five Hundred Dollars (\$62,500.00) or less if the
8 filing status is single, head of household, or
9 married filing separate, or One Hundred Twenty-
10 five Thousand Dollars (\$125,000.00) or less if
11 the filing status is married filing jointly or
12 qualifying widow,

13 (4) in the taxable year beginning January 1, 2009,
14 the qualifying amount shall be One Hundred
15 Thousand Dollars (\$100,000.00) or less if the
16 filing status is single, head of household, or
17 married filing separate, or Two Hundred Thousand
18 Dollars (\$200,000.00) or less if the filing
19 status is married filing jointly or qualifying
20 widow, and

21 (5) in the taxable year beginning January 1, 2010,
22 and subsequent taxable years, there shall be no
23 limitation upon the qualifying amount.
24

1 c. For purposes of this paragraph, "retirement benefits"
2 means the total distributions or withdrawals from the
3 following:

- 4 (1) an employee pension benefit plan which satisfies
5 the requirements of Section 401 of the Internal
6 Revenue Code, 26 U.S.C., Section 401,
7 (2) an eligible deferred compensation plan that
8 satisfies the requirements of Section 457 of the
9 Internal Revenue Code, 26 U.S.C., Section 457,
10 (3) an individual retirement account, annuity, or
11 trust or simplified employee pension that
12 satisfies the requirements of Section 408 of the
13 Internal Revenue Code, 26 U.S.C., Section 408,
14 (4) an employee annuity subject to the provisions of
15 Section 403(a) or (b) of the Internal Revenue
16 Code, 26 U.S.C., Section 403(a) or (b),
17 (5) United States Retirement Bonds which satisfy the
18 requirements of Section 86 of the Internal
19 Revenue Code, 26 U.S.C., Section 86, or
20 (6) lump-sum distributions from a retirement plan
21 which satisfies the requirements of Section
22 402(e) of the Internal Revenue Code, 26 U.S.C.,
23 Section 402(e).
24

1 d. The amount of the exemption provided by this paragraph
2 shall be limited to Five Thousand Five Hundred Dollars
3 (\$5,500.00) for the 2004 tax year, Seven Thousand Five
4 Hundred Dollars (\$7,500.00) for the 2005 tax year and
5 Ten Thousand Dollars (\$10,000.00) for the tax year
6 2006 and for all subsequent tax years. Any individual
7 who claims the exemption provided for in paragraph 8
8 of this subsection shall not be permitted to claim a
9 combined total exemption pursuant to this paragraph
10 and paragraph 8 of this subsection in an amount
11 exceeding Five Thousand Five Hundred Dollars
12 (\$5,500.00) for the 2004 tax year, Seven Thousand Five
13 Hundred Dollars (\$7,500.00) for the 2005 tax year and
14 Ten Thousand Dollars (\$10,000.00) for the 2006 tax
15 year and all subsequent tax years.

16 15. In taxable years beginning after December 31, 1999, for an
17 individual engaged in production agriculture who has filed a
18 Schedule F form with the taxpayer's federal income tax return for
19 such taxable year, there shall be excluded from taxable income any
20 amount which was included as federal taxable income or federal
21 adjusted gross income and which consists of the discharge of an
22 obligation by a creditor of the taxpayer incurred to finance the
23 production of agricultural products.

1 16. In taxable years beginning December 31, 2000, an amount
2 equal to one hundred percent (100%) of the amount of any scholarship
3 or stipend received from participation in the Oklahoma Police Corps
4 Program, as established in Section 2-140.3 of Title 47 of the
5 Oklahoma Statutes shall be exempt from taxable income.

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

15 b. In taxable years beginning after December 31, 2004,
16 each taxpayer shall be allowed a deduction for
17 contributions to accounts established pursuant to the
18 Oklahoma College Savings Plan Act. The maximum annual
19 deduction shall equal the amount of contributions to
20 all such accounts plus any contributions to such
21 accounts by the taxpayer for prior taxable years after
22 December 31, 2004, which were not deducted, but in no
23 event shall the deduction for each tax year exceed Ten
24 Thousand Dollars (\$10,000.00) for each individual

1 taxpayer or Twenty Thousand Dollars (\$20,000.00) for
2 taxpayers filing a joint return. Any amount of a
3 contribution that is not deducted by the taxpayer in
4 the year for which the contribution is made may be
5 carried forward as a deduction from income for the
6 succeeding five (5) years. For taxable years
7 beginning after December 31, 2005, deductions may be
8 taken for contributions and rollovers made during a
9 taxable year and up to April 15 of the succeeding
10 year, or the due date of a taxpayer's state income tax
11 return, excluding extensions, whichever is later.
12 Provided, a deduction for the same contribution may
13 not be taken for two (2) different taxable years.

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

18 (1) for a taxpayer who qualified for the five-year
19 carryforward election and who takes a rollover or
20 nonqualified withdrawal during that period, the
21 tax deduction otherwise available pursuant to
22 subparagraph b of this paragraph shall be reduced
23 by the amount which is equal to the rollover or
24 nonqualified withdrawal, and

1 (2) for a taxpayer who elects to take a rollover or
2 nonqualified withdrawal within the same tax year
3 in which a contribution was made to the
4 taxpayer's account, the tax deduction otherwise
5 available pursuant to subparagraph b of this
6 paragraph shall be reduced by the amount of the
7 contribution which is equal to the rollover or
8 nonqualified withdrawal.

9 d. If a taxpayer elects to take a rollover on a
10 contribution for which a deduction has been taken
11 pursuant to subparagraph b of this paragraph within
12 one (1) year of the date of contribution, the amount
13 of such rollover shall be included in the adjusted
14 gross income of the taxpayer in the taxable year of
15 the rollover.

16 e. If a taxpayer makes a nonqualified withdrawal of
17 contributions for which a deduction was taken pursuant
18 to subparagraph b of this paragraph, such nonqualified
19 withdrawal and any earnings thereon shall be included
20 in the adjusted gross income of the taxpayer in the
21 taxable year of the nonqualified withdrawal.

22 f. As used in this paragraph:
23
24
25

- 1 (1) "non-qualified withdrawal" means a withdrawal
2 from an Oklahoma College Savings Plan account
3 other than one of the following:
4 (a) a qualified withdrawal,
5 (b) a withdrawal made as a result of the death
6 or disability of the designated beneficiary
7 of an account,
8 (c) a withdrawal that is made on the account of
9 a scholarship or the allowance or payment
10 described in Section 135(d)(1)(B) or (C) or
11 by the Internal Revenue Code, received by
12 the designated beneficiary to the extent the
13 amount of the refund does not exceed the
14 amount of the scholarship, allowance, or
15 payment, or
16 (d) a rollover or change of designated
17 beneficiary as permitted by subsection F of
18 Section 3970.7 of Title 70 of Oklahoma
19 Statutes, and

- 20 (2) "rollover" means the transfer of funds from the
21 Oklahoma College Savings Plan to any other plan
22 under Section 529 of the Internal Revenue Code.

23 18. For taxable years beginning after December 31, 2005,
24 retirement benefits received by an individual from any component of

1 the Armed Forces of the United States in an amount not to exceed the
2 greater of seventy-five percent (75%) of such benefits or Ten
3 Thousand Dollars (\$10,000.00) shall be exempt from taxable income
4 but in no case less than the amount of the exemption provided by
5 paragraph 14 of this subsection.

6 19. For taxable years beginning after December 31, 2006,
7 retirement benefits received by federal civil service retirees,
8 including survivor annuities, paid in lieu of Social Security
9 benefits shall be exempt from taxable income to the extent such
10 benefits are included in the federal adjusted gross income pursuant
11 to the provisions of Section 86 of the Internal Revenue Code, 26
12 U.S.C., Section 86, according to the following schedule:

- 13 a. in the taxable year beginning January 1, 2007, twenty
14 percent (20%) of such benefits shall be exempt,
- 15 b. in the taxable year beginning January 1, 2008, forty
16 percent (40%) of such benefits shall be exempt,
- 17 c. in the taxable year beginning January 1, 2009, sixty
18 percent (60%) of such benefits shall be exempt,
- 19 d. in the taxable year beginning January 1, 2010, eighty
20 percent (80%) of such benefits shall be exempt, and
- 21 e. in the taxable year beginning January 1, 2011, and
22 subsequent taxable years, one hundred percent (100%)
23 of such benefits shall be exempt.
24

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

23 21. For taxable years beginning after December 31, 2009, there
24 shall be exempt from taxable income any amount received by the
25

1 beneficiary of the death benefit for an emergency medical technician
2 or a registered emergency medical responder provided by Section 1-
3 2505.1 of Title 63 of the Oklahoma Statutes.

4 22. For taxable years beginning after December 31, 2008,
5 taxable income shall be increased by any unemployment compensation
6 exempted under Section 85(c) of the Internal Revenue Code, 26
7 U.S.C., Section 85(c) (2009).

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

16 24. For taxable years beginning on or after January 1, 2016,
17 taxable income shall be increased by any amount of state and local
18 sales or income taxes deducted under 26 U.S.C., Section 164 of the
19 Internal Revenue Code. If the amount of state and local taxes
20 deducted on the federal return is limited, taxable income on the
21 state return shall be increased only by the amount actually deducted
22 after any such limitations are applied.

23 25. For taxable years beginning after December 31, 2020, each
24 taxpayer shall be allowed a deduction for contributions to accounts
25

1 established pursuant to the Achieving a Better Life Experience
2 (ABLE) Program as established in Section 4001.1 et seq. of Title 56
3 of the Oklahoma Statutes. For any tax year, the deduction provided
4 for in this paragraph shall not exceed Ten Thousand Dollars
5 (\$10,000.00) for an individual taxpayer or Twenty Thousand Dollars
6 (\$20,000.00) for taxpayers filing a joint return. Any amount of
7 contribution not deducted by the taxpayer in the tax year for which
8 the contribution is made may be carried forward as a deduction from
9 income for up to five (5) tax years. Deductions may be taken for
10 contributions made during the tax year and through April 15 of the
11 succeeding tax year, or through the due date of a taxpayer's state
12 income tax return excluding extensions, whichever is later.
13 Provided, a deduction for the same contribution may not be taken in
14 more than one (1) tax year.

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

20 2. As used in this subsection:

21 a. "qualifying gains receiving capital treatment" means
22 the amount of net capital gains, as defined in Section
23 1222(11) of the Internal Revenue Code, included in an
24

1 individual taxpayer's federal income tax return that
2 result from:

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

9 (2) the sale of stock or the sale of a direct or
10 indirect ownership interest in an Oklahoma
11 company, limited liability company, or
12 partnership where such stock or ownership
13 interest has been directly or indirectly owned by
14 the individual taxpayer for a holding period of
15 at least two (2) years prior to the date of the
16 transaction from which the net capital gains
17 arise, or

18 (3) the sale of real property, tangible personal
19 property or intangible personal property located
20 within Oklahoma as part of the sale of all or
21 substantially all of the assets of an Oklahoma
22 company, limited liability company, or
23 partnership or an Oklahoma proprietorship
24 business enterprise where such property has been
25

1 directly or indirectly owned by such entity or
2 business enterprise or owned by the owners of
3 such entity or business enterprise for a period
4 of at least two (2) years prior to the date of
5 the transaction from which the net capital gains
6 arise,

7 b. "holding period" means an uninterrupted period of
8 time. The holding period shall include any additional
9 period when the property was held by another
10 individual or entity, if such additional period is
11 included in the taxpayer's holding period for the
12 asset pursuant to the Internal Revenue Code,

13 c. "Oklahoma company," "limited liability company," or
14 "partnership" means an entity whose primary
15 headquarters have been located in Oklahoma for at
16 least three (3) uninterrupted years prior to the date
17 of the transaction from which the net capital gains
18 arise,

19 d. "direct" means the individual taxpayer directly owns
20 the asset,

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

1 (1) With respect to sales of real property or
2 tangible personal property located within
3 Oklahoma, the deduction described in this
4 subsection shall not apply unless the pass-
5 through entity that makes the sale has held the
6 property for not less than five (5) uninterrupted
7 years prior to the date of the transaction that
8 created the capital gain, and each pass-through
9 entity included in the chain of ownership has
10 been a member, partner, or shareholder of the
11 pass-through entity in the tier immediately below
12 it for an uninterrupted period of not less than
13 five (5) years.

14 (2) With respect to sales of stock or ownership
15 interest in or sales of all or substantially all
16 of the assets of an Oklahoma company, limited
17 liability company, partnership, or Oklahoma
18 proprietorship business enterprise, the deduction
19 described in this subsection shall not apply
20 unless the pass-through entity that makes the
21 sale has held the stock or ownership interest for
22 not less than two (2) uninterrupted years prior
23 to the date of the transaction that created the
24 capital gain, and each pass-through entity

1 included in the chain of ownership has been a
2 member, partner or shareholder of the pass-
3 through entity in the tier immediately below it
4 for an uninterrupted period of not less than two
5 (2) years. For purposes of this division,
6 uninterrupted ownership prior to July 1, 2007,
7 shall be included in the determination of the
8 required holding period prescribed by this
9 division, and

10 f. "Oklahoma proprietorship business enterprise" means a
11 business enterprise whose income and expenses have
12 been reported on Schedule C or F of an individual
13 taxpayer's federal income tax return, or any similar
14 successor schedule published by the Internal Revenue
15 Service and whose primary headquarters have been
16 located in Oklahoma for at least three (3)
17 uninterrupted years prior to the date of the
18 transaction from which the net capital gains arise.

19 G. 1. For purposes of computing its Oklahoma taxable income
20 under this section, the dividends-paid deduction otherwise allowed
21 by federal law in computing net income of a real estate investment
22 trust that is subject to federal income tax shall be added back in
23 computing the tax imposed by this state under this title if the real
24 estate investment trust is a captive real estate investment trust.

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

6 a. the term "real estate investment trust" or "REIT"
7 means the meaning ascribed to such term in Section 856
8 of the Internal Revenue Code,

9 b. the term "captive real estate investment trust" means
10 a real estate investment trust, the shares or
11 beneficial interests of which are not regularly traded
12 on an established securities market and more than
13 fifty percent (50%) of the voting power or value of
14 the beneficial interests or shares of which are owned
15 or controlled, directly or indirectly, or
16 constructively, by a single entity that is:

- 17 (1) treated as an association taxable as a
18 corporation under the Internal Revenue Code, and
19 (2) not exempt from federal income tax pursuant to
20 the provisions of Section 501(a) of the Internal
21 Revenue Code.

22 The term shall not include a real estate investment
23 trust that is intended to be regularly traded on an
24 established securities market, and that satisfies the

1 requirements of Section 856(a)(5) and (6) of the U.S.
2 Internal Revenue Code by reason of Section 856(h)(2)
3 of the Internal Revenue Code,

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

6 (1) any real estate investment trust as defined in
7 paragraph a of this subsection other than a
8 "captive real estate investment trust", or

9 (2) any qualified real estate investment trust
10 subsidiary under Section 856(i) of the Internal
11 Revenue Code, other than a qualified REIT
12 subsidiary of a "captive real estate investment
13 trust", or

14 (3) any Listed Australian Property Trust (meaning an
15 Australian unit trust registered as a "Managed
16 Investment Scheme" under the Australian
17 Corporations Act in which the principal class of
18 units is listed on a recognized stock exchange in
19 Australia and is regularly traded on an
20 established securities market), or an entity
21 organized as a trust, provided that a Listed
22 Australian Property Trust owns or controls,
23 directly or indirectly, seventy-five percent
24

(75%) or more of the voting power or value of the beneficial interests or shares of such trust, or

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

(a) at least seventy-five percent (75%) of the entity's total asset value at the close of its taxable year is represented by real estate assets, as defined in Section 856(c) (5) (B) of the Internal Revenue Code, thereby including shares or certificates of beneficial interest in any real estate investment trust, cash and cash equivalents, and U.S. Government securities,

(b) the entity receives a dividend-paid deduction comparable to Section 561 of the Internal Revenue Code, or is exempt from entity level tax,

(c) the entity is required to distribute at least eighty-five percent (85%) of its taxable income, as computed in the jurisdiction in which it is organized, to

1 the holders of its shares or certificates of
2 beneficial interest on an annual basis,
3 (d) not more than ten percent (10%) of the
4 voting power or value in such entity is held
5 directly or indirectly or constructively by
6 a single entity or individual, or the shares
7 or beneficial interests of such entity are
8 regularly traded on an established
9 securities market, and
10 (e) the entity is organized in a country which
11 has a tax treaty with the United States.

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

17 4. A real estate investment trust that does not become
18 regularly traded on an established securities market within one (1)
19 year of the date on which it first becomes a real estate investment
20 trust shall be deemed not to have been regularly traded on an
21 established securities market, retroactive to the date it first
22 became a real estate investment trust, and shall file an amended
23 return reflecting such retroactive designation for any tax year or
24 part year occurring during its initial year of status as a real

1 estate investment trust. For purposes of this subsection, a real
2 estate investment trust becomes a real estate investment trust on
3 the first day it has both met the requirements of Section 856 of the
4 Internal Revenue Code and has elected to be treated as a real estate
5 investment trust pursuant to Section 856(c)(1) of the Internal
6 Revenue Code.

7 SECTION 2. This act shall become effective November 1, 2022.

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