

1 STATE OF OKLAHOMA

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

3 COMMITTEE SUBSTITUTE

4 FOR

HOUSE BILL NO. 4358

By: Boatman

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8 COMMITTEE SUBSTITUTE

9 An Act relating to revenue and taxation; amending 68
10 O.S. 2021, Sections 2355, 2355.1P-4, 2370, and 2805,
11 which relate to modification of the corporate income
12 tax rate; modifying rate of corporate income tax;
13 specifying tax rate by tax year; providing for
14 imposition of income tax rate based upon certain
15 corporate characteristics; prohibiting acquisition of
16 tax credits on or after effective date; modifying
17 provisions related to tax levied upon certain pass-
18 through entities; providing for termination of tax
19 levied on certain pass-through entities; providing
20 for filing of required returns by pass-through
21 entities and other entities; modifying rate of tax
22 imposed on certain financial institutions in lieu of
23 income tax; specifying rate of tax by year; providing
24 for payment of fee in lieu of personal property tax
beginning on or after specified date; providing for
apportionment of revenue to the State Public Common
School Building Equalization Fund; and providing an
effective date.

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

SECTION 1. AMENDATORY 68 O.S. 2021, Section 2355, is
amended to read as follows:

1 Section 2355. A. Individuals. For all taxable years beginning
2 after December 31, 1998, and before January 1, 2006, a tax is hereby
3 imposed upon the Oklahoma taxable income of every resident or
4 nonresident individual, which tax shall be computed at the option of
5 the taxpayer under one of the two following methods:

6 1. METHOD 1.

7 a. Single individuals and married individuals filing
8 separately not deducting federal income tax:

9 (1) 1/2% tax on first \$1,000.00 or part thereof,

10 (2) 1% tax on next \$1,500.00 or part thereof,

11 (3) 2% tax on next \$1,250.00 or part thereof,

12 (4) 3% tax on next \$1,150.00 or part thereof,

13 (5) 4% tax on next \$1,300.00 or part thereof,

14 (6) 5% tax on next \$1,500.00 or part thereof,

15 (7) 6% tax on next \$2,300.00 or part thereof, and

16 (8) (a) for taxable years beginning after December

17 31, 1998, and before January 1, 2002, 6.75%

18 tax on the remainder,

19 (b) for taxable years beginning on or after

20 January 1, 2002, and before January 1, 2004,

21 7% tax on the remainder, and

22 (c) for taxable years beginning on or after

23 January 1, 2004, 6.65% tax on the remainder.

24

1 b. Married individuals filing jointly and surviving
2 spouse to the extent and in the manner that a
3 surviving spouse is permitted to file a joint return
4 under the provisions of the Internal Revenue Code and
5 heads of households as defined in the Internal Revenue
6 Code not deducting federal income tax:

7 (1) 1/2% tax on first \$2,000.00 or part thereof,

8 (2) 1% tax on next \$3,000.00 or part thereof,

9 (3) 2% tax on next \$2,500.00 or part thereof,

10 (4) 3% tax on next \$2,300.00 or part thereof,

11 (5) 4% tax on next \$2,400.00 or part thereof,

12 (6) 5% tax on next \$2,800.00 or part thereof,

13 (7) 6% tax on next \$6,000.00 or part thereof, and

14 (8) (a) for taxable years beginning after December
15 31, 1998, and before January 1, 2002, 6.75%
16 tax on the remainder,

17 (b) for taxable years beginning on or after
18 January 1, 2002, and before January 1, 2004,
19 7% tax on the remainder, and

20 (c) for taxable years beginning on or after
21 January 1, 2004, 6.65% tax on the remainder.

22 2. METHOD 2.

23 a. Single individuals and married individuals filing
24 separately deducting federal income tax:

- 1 (1) 1/2% tax on first \$1,000.00 or part thereof,
- 2 (2) 1% tax on next \$1,500.00 or part thereof,
- 3 (3) 2% tax on next \$1,250.00 or part thereof,
- 4 (4) 3% tax on next \$1,150.00 or part thereof,
- 5 (5) 4% tax on next \$1,200.00 or part thereof,
- 6 (6) 5% tax on next \$1,400.00 or part thereof,
- 7 (7) 6% tax on next \$1,500.00 or part thereof,
- 8 (8) 7% tax on next \$1,500.00 or part thereof,
- 9 (9) 8% tax on next \$2,000.00 or part thereof,
- 10 (10) 9% tax on next \$3,500.00 or part thereof, and
- 11 (11) 10% tax on the remainder.

12 b. Married individuals filing jointly and surviving
13 spouse to the extent and in the manner that a
14 surviving spouse is permitted to file a joint return
15 under the provisions of the Internal Revenue Code and
16 heads of households as defined in the Internal Revenue
17 Code deducting federal income tax:

- 18 (1) 1/2% tax on the first \$2,000.00 or part thereof,
- 19 (2) 1% tax on the next \$3,000.00 or part thereof,
- 20 (3) 2% tax on the next \$2,500.00 or part thereof,
- 21 (4) 3% tax on the next \$1,400.00 or part thereof,
- 22 (5) 4% tax on the next \$1,500.00 or part thereof,
- 23 (6) 5% tax on the next \$1,600.00 or part thereof,
- 24 (7) 6% tax on the next \$1,250.00 or part thereof,

- 1 (8) 7% tax on the next \$1,750.00 or part thereof,
- 2 (9) 8% tax on the next \$3,000.00 or part thereof,
- 3 (10) 9% tax on the next \$6,000.00 or part thereof, and
- 4 (11) 10% tax on the remainder.

5 B. Individuals. For all taxable years beginning on or after
6 January 1, 2008, and ending any tax year which begins after December
7 31, 2015, for which the determination required pursuant to Sections
8 4 and 5 of this act is made by the State Board of Equalization, a
9 tax is hereby imposed upon the Oklahoma taxable income of every
10 resident or nonresident individual, which tax shall be computed as
11 follows:

12 1. Single individuals and married individuals filing
13 separately:

- 14 (a) 1/2% tax on first \$1,000.00 or part thereof,
- 15 (b) 1% tax on next \$1,500.00 or part thereof,
- 16 (c) 2% tax on next \$1,250.00 or part thereof,
- 17 (d) 3% tax on next \$1,150.00 or part thereof,
- 18 (e) 4% tax on next \$2,300.00 or part thereof,
- 19 (f) 5% tax on next \$1,500.00 or part thereof,
- 20 (g) 5.50% tax on the remainder for the 2008 tax year and
21 any subsequent tax year unless the rate prescribed by
22 subparagraph (h) of this paragraph is in effect, and
- 23 (h) 5.25% tax on the remainder for the 2009 and subsequent
24 tax years. The decrease in the top marginal

1 individual income tax rate otherwise authorized by
2 this subparagraph shall be contingent upon the
3 determination required to be made by the State Board
4 of Equalization pursuant to Section 2355.1A of this
5 title.

6 2. Married individuals filing jointly and surviving spouse to
7 the extent and in the manner that a surviving spouse is permitted to
8 file a joint return under the provisions of the Internal Revenue
9 Code and heads of households as defined in the Internal Revenue
10 Code:

- 11 (a) 1/2% tax on first \$2,000.00 or part thereof,
- 12 (b) 1% tax on next \$3,000.00 or part thereof,
- 13 (c) 2% tax on next \$2,500.00 or part thereof,
- 14 (d) 3% tax on next \$2,300.00 or part thereof,
- 15 (e) 4% tax on next \$2,400.00 or part thereof,
- 16 (f) 5% tax on next \$2,800.00 or part thereof,
- 17 (g) 5.50% tax on the remainder for the 2008 tax year and
18 any subsequent tax year unless the rate prescribed by
19 subparagraph (h) of this paragraph is in effect, and
- 20 (h) 5.25% tax on the remainder for the 2009 and subsequent
21 tax years. The decrease in the top marginal
22 individual income tax rate otherwise authorized by
23 this subparagraph shall be contingent upon the
24 determination required to be made by the State Board

1 of Equalization pursuant to Section 2355.1A of this
2 title.

3 C. Individuals. For all taxable years beginning on or after
4 January 1, 2016, and for which the determination required pursuant
5 to Sections 4 and 5 of this act is made by the State Board of
6 Equalization, a tax is hereby imposed upon the Oklahoma taxable
7 income of every resident or nonresident individual, which tax shall
8 be computed as follows:

9 1. Single individuals and married individuals filing
10 separately:

11 (a) 1/2% tax on first \$1,000.00 or part thereof,

12 (b) 1% tax on next \$1,500.00 or part thereof,

13 (c) 2% tax on next \$1,250.00 or part thereof,

14 (d) 3% tax on next \$1,150.00 or part thereof,

15 (e) 4% tax on next \$2,300.00 or part thereof,

16 (f) 5% tax on the remainder if the State Board of

17 Equalization makes a determination pursuant to Section

18 4 of this act or four and eighty-five hundredths

19 (4.85%) tax on the remainder if the State Board of

20 Equalization makes a determination pursuant to Section

21 5 of this act.

22 2. Married individuals filing jointly and surviving spouse to
23 the extent and in the manner that a surviving spouse is permitted to
24 file a joint return under the provisions of the Internal Revenue

1 Code and heads of households as defined in the Internal Revenue

2 Code:

3 (a) 1/2% tax on first \$2,000.00 or part thereof,

4 (b) 1% tax on next \$3,000.00 or part thereof,

5 (c) 2% tax on next \$2,500.00 or part thereof,

6 (d) 3% tax on next \$2,300.00 or part thereof,

7 (e) 4% tax on next \$2,400.00 or part thereof,

8 (f) 5% tax on the remainder if the State Board of

9 Equalization makes a determination pursuant to Section

10 4 of this act or four and eighty-five hundredths

11 percent (4.85%) tax on the remainder if the State

12 Board of Equalization makes a determination pursuant

13 to Section 5 of this act.

14 No deduction for federal income taxes paid shall be allowed to

15 any taxpayer to arrive at taxable income.

16 D. Nonresident aliens. In lieu of the rates set forth in

17 subsection A above, there shall be imposed on nonresident aliens, as

18 defined in the Internal Revenue Code, a tax of eight percent (8%)

19 instead of thirty percent (30%) as used in the Internal Revenue

20 Code, with respect to the Oklahoma taxable income of such

21 nonresident aliens as determined under the provision of the Oklahoma

22 Income Tax Act.

23 Every payer of amounts covered by this subsection shall deduct

24 and withhold from such amounts paid each payee an amount equal to

1 eight percent (8%) thereof. Every payer required to deduct and
2 withhold taxes under this subsection shall for each quarterly period
3 on or before the last day of the month following the close of each
4 such quarterly period, pay over the amount so withheld as taxes to
5 the Tax Commission, and shall file a return with each such payment.
6 Such return shall be in such form as the Tax Commission shall
7 prescribe. Every payer required under this subsection to deduct and
8 withhold a tax from a payee shall, as to the total amounts paid to
9 each payee during the calendar year, furnish to such payee, on or
10 before January 31, of the succeeding year, a written statement
11 showing the name of the payer, the name of the payee and the payee's
12 social security account number, if any, the total amount paid
13 subject to taxation, and the total amount deducted and withheld as
14 tax and such other information as the Tax Commission may require.
15 Any payer who fails to withhold or pay to the Tax Commission any
16 sums herein required to be withheld or paid shall be personally and
17 individually liable therefor to the State of Oklahoma.

18 E. Corporations. ~~For~~ 1. Except as otherwise provided by
19 paragraph 2 of this subsection, for all taxable years beginning
20 after December 31, 2021, a tax is hereby imposed upon the Oklahoma
21 taxable income of every corporation doing business within this state
22 or deriving income from sources within this state in an amount equal
23 to four percent (4%) thereof.

24

1 2. Except as provided by paragraph 3 of this subsection, for
2 all taxable years beginning after December 31, 2022, a tax is hereby
3 imposed upon the Oklahoma taxable income of every corporation doing
4 business within this state or deriving income from sources within
5 this state in an amount as follows:

6 a. three and five-tenths percent (3.5%) for tax years
7 beginning not later than December 31, 2023,

8 b. three percent (3.0%) for tax years beginning not later
9 than December 31, 2024,

10 c. two and five-tenths percent (2.5%) for tax years
11 beginning not later than December 31, 2025,

12 d. two percent (2.0%) for tax years beginning not later
13 than December 31, 2026,

14 e. one and five-tenths percent (1.5%) for tax years
15 beginning not later than December 31, 2027,

16 f. one percent (1.0%) for tax years beginning not later
17 than December 31, 2028,

18 g. five-tenths percent (0.5%) for tax years beginning not
19 later than December 31, 2029, and

20 h. zero percent (0%) for tax years beginning on or after
21 January 1, 2030.

22 There shall be no additional Oklahoma income tax imposed on
23 accumulated taxable income or on undistributed personal holding
24

1 company income as those terms are defined in the Internal Revenue
2 Code.

3 3. Notwithstanding subsection I of this section, unless state
4 General Revenue Fund revenue collections for the fiscal year
5 immediately preceding the current tax filing year exceed one hundred
6 two percent (102%) of General Revenue Fund revenue collections for
7 the second fiscal year preceding the current tax filing year, the tax
8 rate set forth in paragraph 1 of this subsection shall apply for a
9 corporation that:

10 a. participates in the filing of a publicly traded
11 company's financial statements prepared in accordance
12 with generally accepted accounting principles, and

13 b.
14 (1) the corporation has Oklahoma tax credit
15 carryforwards in excess of Fifty Million Dollars
16 (\$50,000,000.00) that have an indefinite
17 carryforward period, as of the effective date of
18 this act, or

19 (2) is a component member of an affiliated group
20 filing a consolidated Oklahoma income tax return
21 under the provisions of Section 2367 of this
22 title, and the component members of such
23 affiliated group have, in the aggregate, Oklahoma
24 tax credit carryforwards in excess of Fifty

1 Million Dollars (\$50,000,000.00) that have an
2 indefinite carryforward period, as of the
3 effective date of this act.

4 4. No corporation as described by paragraph 3 of this
5 subsection shall acquire any tax credit authorized pursuant to the
6 provisions of the Oklahoma Statutes on or after the effective date
7 of this act.

8 F. Certain foreign corporations. In lieu of the tax imposed in
9 the first paragraph of subsection D of this section, for all taxable
10 years beginning after December 31, 2021, there shall be imposed on
11 foreign corporations, as defined in the Internal Revenue Code, a tax
12 of ~~four percent (4%)~~ imposed at the same rate for the applicable
13 income tax year as prescribed by subsection E of this section
14 instead of thirty percent (30%) as used in the Internal Revenue
15 Code, where such income is received from sources within Oklahoma, in
16 accordance with the provisions of the Internal Revenue Code and the
17 Oklahoma Income Tax Act.

18 Every payer of amounts covered by this subsection shall deduct
19 and withhold from such amounts paid each payee an amount equal to
20 ~~four percent (4%) thereof~~ a rate equal to the rate prescribed by
21 subsection E of this section based on the applicable tax year.

22 Every payer required to deduct and withhold taxes under this
23 subsection shall for each quarterly period on or before the last day
24 of the month following the close of each such quarterly period, pay

1 over the amount so withheld as taxes to the Tax Commission, and
2 shall file a return with each such payment. Such return shall be in
3 such form as the Tax Commission shall prescribe. Every payer
4 required under this subsection to deduct and withhold a tax from a
5 payee shall, as to the total amounts paid to each payee during the
6 calendar year, furnish to such payee, on or before January 31, of
7 the succeeding year, a written statement showing the name of the
8 payer, the name of the payee and the payee's social security account
9 number, if any, the total amounts paid subject to taxation, the
10 total amount deducted and withheld as tax and such other information
11 as the Tax Commission may require. Any payer who fails to withhold
12 or pay to the Tax Commission any sums herein required to be withheld
13 or paid shall be personally and individually liable therefor to the
14 State of Oklahoma.

15 G. Fiduciaries. A tax is hereby imposed upon the Oklahoma
16 taxable income of every trust and estate at the same rates as are
17 provided in subsection B or C of this section for single
18 individuals. Fiduciaries are not allowed a deduction for any
19 federal income tax paid.

20 H. Tax rate tables. For all taxable years beginning after
21 December 31, 1991, in lieu of the tax imposed by subsection A, B or
22 C of this section, as applicable there is hereby imposed for each
23 taxable year on the taxable income of every individual, whose
24 taxable income for such taxable year does not exceed the ceiling

1 amount, a tax determined under tables, applicable to such taxable
2 year which shall be prescribed by the Tax Commission and which shall
3 be in such form as it determines appropriate. In the table so
4 prescribed, the amounts of the tax shall be computed on the basis of
5 the rates prescribed by subsection A, B or C of this section. For
6 purposes of this subsection, the term "ceiling amount" means, with
7 respect to any taxpayer, the amount determined by the Tax Commission
8 for the tax rate category in which such taxpayer falls.

9 I. Not later than June 30, 2023, for entities in existence as
10 of the effective date of this act, and not later than sixty (60)
11 days after the formation of an entity subject to taxation pursuant
12 to subsection E of this section which occurs after the effective
13 date of this act, a taxpayer shall make an election, which shall be
14 irrevocable, on such form as may be prescribed for such purpose by
15 the Oklahoma Tax Commission, and except as otherwise provided by
16 this section, to be subject to the rate of tax at four percent (4%)
17 imposed pursuant to paragraph 1 of subsection E of this section and
18 to continue to be subject to such rate of income taxation for all
19 subsequent taxable years or to be subject to the rate of tax imposed
20 pursuant to paragraph 2 of subsection E of this section based upon
21 the applicable taxable year.

22 J. The irrevocable election required by subsection I of this
23 section shall be binding upon any subsidiary entity of the taxpayer
24 making such election unless otherwise provided by this section.

1 K. The irrevocable election otherwise prescribed by subsection
2 I of this section shall not be binding with respect to an entity
3 which was a subsidiary of an entity making such election during any
4 period of time the former subsidiary was not acquired by any other
5 entity.

6 L. If a former subsidiary of an entity making an election
7 pursuant to subsection I of this section is acquired by another
8 entity, the entity having acquired such former subsidiary shall be
9 authorized to make an irrevocable election which is binding upon the
10 former subsidiary of the previous entity.

11 SECTION 2. AMENDATORY 68 O.S. 2021, Section 2355.1P-4,
12 is amended to read as follows:

13 Section 2355.1P-4 A. For tax years beginning on or after
14 January 1, ~~2022~~ 2023, there is hereby levied on each electing pass-
15 through entity the pass-through entity tax which shall be calculated
16 as follows:

17 1. With regard to each member of an electing pass-through
18 entity, the electing pass-through entity shall multiply such
19 member's Oklahoma distributive share of the electing pass-through
20 entity's Oklahoma net entity income for the tax year by:

- 21 a. the highest Oklahoma marginal income tax rate levied
22 on the taxable income of natural persons pursuant to
23 Section 2355 of this title if the member is an
24 individual, trust, or estate,

1 b. ~~four percent (4%)~~ if the member is classified as a
2 corporation pursuant to the Internal Revenue Code, and
3 is not classified as an S corporation, a rate as
4 follows:

5 (1) three and five-tenths percent (3.5%) for tax
6 years beginning not later than December 31, 2023,

7 (2) three percent (3.0%) for tax years beginning not
8 later than December 31, 2024,

9 (3) two and five-tenths percent (2.5%) for tax years
10 beginning not later than December 31, 2025,

11 (4) two percent (2.0%) for tax years beginning not
12 later than December 31, 2026,

13 (5) one and five-tenths percent (1.5%) for tax years
14 beginning not later than December 31, 2027,

15 (6) one percent (1.0%) for tax years beginning not
16 later than December 31, 2028,

17 (7) five-tenths percent (0.5%) for tax years
18 beginning not later than December 31, 2029, and

19 (8) zero percent (0%) for tax years beginning on or
20 after January 1, 2030,

21 c. ~~four percent (4%)~~ if the member is a pass-through
22 entity, a rate as follows:

23 (1) three and five-tenths percent (3.5%) for tax
24 years beginning not later than December 31, 2023,

- 1 (2) three percent (3.0%) for tax years beginning not
2 later than December 31, 2024,
3 (3) two and five-tenths percent (2.5%) for tax years
4 beginning not later than December 31, 2025,
5 (4) two percent (2.0%) for tax years beginning not
6 later than December 31, 2026,
7 (5) one and five-tenths percent (1.5%) for tax years
8 beginning not later than December 31, 2027,
9 (6) one percent (1.0%) for tax years beginning not
10 later than December 31, 2028,
11 (7) five-tenths percent (0.5%) for tax years
12 beginning not later than December 31, 2029, and
13 (8) zero percent (0%) for tax years beginning on or
14 after January 1, 2030,

- 15 d. ~~four percent (4%)~~ if the member is a financial
16 institution subject to tax imposed pursuant to the
17 provisions of Section 2370 of this title, the rate
18 prescribed by Section 2370 of this title, and
19 e. the highest Oklahoma marginal income tax rate that
20 would be applicable to any item of the electing pass-
21 through entity's income or gain without the election
22 made pursuant to subsection F of this section, if the
23 member is an organization described in Section 2359 of
24 this title; and

1 2. The electing pass-through entity shall aggregate the amounts
2 determined with respect to all members pursuant to paragraph 1 of
3 this subsection and the pass-through entity tax for the applicable
4 tax year shall be equal to such aggregated tax amount for the tax
5 year with respect to which the election has been made.

6 B. Sections 2385.29, 2385.30 and 2385.31 of this title shall
7 not be applicable to an electing pass-through entity.

8 C. The pass-through entity tax shall be due and payable on the
9 same date as provided for the filing of the electing pass-through
10 entity's Oklahoma income tax return, and for tax years beginning on
11 or after January 1, 2020, estimated tax payments shall be required
12 as provided in Section 2385.9 of this title.

13 D. If the pass-through entity election results in a net entity
14 loss for Oklahoma income tax purposes in any tax year, the net
15 entity loss may be carried back and carried forward by the electing
16 pass-through entity for Oklahoma income tax purposes as set forth in
17 subparagraph b of paragraph 3 of subsection A of Section 2358 of
18 this title.

19 E. Notwithstanding paragraph 2 of subsection C of Section 2368
20 of this title, a nonresident individual who is a member of an
21 electing pass-through entity is not required to file an Oklahoma
22 income tax return, if, for the taxable year, the only source of
23 income allocable or apportionable to this state for the member, or,
24 if a joint income tax return is filed, the member and his or her

1 spouse, is from one or more electing pass-through entities, and each
2 electing pass-through entity files and pays the taxes due under this
3 section.

4 F. Any entity required to file an Oklahoma partnership income
5 tax return or an Oklahoma S corporation income tax return may elect
6 to become an electing pass-through entity. The election shall be
7 made on such form and in such manner as the Oklahoma Tax Commission
8 may prescribe, and any election under this subsection shall have
9 priority over and revoke any election to file a composite Oklahoma
10 partnership return or requirement of a Subchapter S corporation to
11 report and pay tax on behalf of a nonresident shareholder for the
12 same tax year.

13 G. Pursuant to procedures prescribed by the Tax Commission, if
14 the amount of tax required to be paid by a pass-through entity
15 pursuant to the provisions of this section is not paid when due, the
16 Oklahoma Tax Commission may revoke the pass-through entity's
17 election under subsection F of this section effective for the first
18 year for which the tax is not paid.

19 H. The election authorized by the provisions of this section
20 shall be made pursuant to procedures prescribed by the Tax
21 Commission and shall be filed (i) within sixty (60) days of
22 enactment and pursuant to procedures prescribed by the Oklahoma Tax
23 Commission for any income tax year beginning on or after January 1,
24 2019, and prior to January 1, 2020, or (ii) for any income tax year

1 beginning on or after January 1, 2020, at any time during the
2 preceding tax year or two (2) months and fifteen (15) days after the
3 beginning of the tax year. Any such election shall be binding until
4 revoked pursuant to procedures prescribed by the Tax Commission.
5 The effective date of a revocation (i) made within two (2) months
6 and fifteen (15) days of the electing pass-through entity's taxable
7 year shall be the first day of such taxable year and (ii) made
8 during the electing pass-through entity's taxable year but after
9 such fifteenth day shall be effective on the first day of the
10 following taxable year. No election made by a pass-through entity
11 with respect to income tax to be paid by such entity using the
12 calculations prescribed by this section shall be binding on any
13 other pass-through entity, and each pass-through entity shall be
14 able to make an election under the provisions of this act
15 independently.

16 I. The provisions of this section shall cease to have the force
17 and effect of law after the expiration of the last date the
18 applicable tax return is filed, including any extensions, with
19 respect to the final taxable year for which any entity having made
20 an election to be subject to the provisions of this section is
21 required to file a return with the Oklahoma Tax Commission,
22 including the period of time required for any person or entity
23 receiving a distribution of income or an allocation of loss from a
24

1 pass-through entity is required to file a return with the Oklahoma
2 Tax Commission, including any extensions.

3 SECTION 3. AMENDATORY 68 O.S. 2021, Section 2370, is
4 amended to read as follows:

5 Section 2370. A. ~~For taxable years beginning after December~~
6 ~~31, 2021, for~~ For the privilege of doing business within this state,
7 every state banking association, national banking association and
8 credit union organized under the laws of this state, located or
9 doing business within the limits of the State of Oklahoma shall
10 annually pay to this state a privilege tax at the rate ~~of four~~
11 ~~percent (4%) of the amount of the~~ upon taxable income as provided in
12 this ~~section~~ subsection as follows:

13 1. Three and five-tenths percent (3.5%) for tax years beginning
14 not later than December 31, 2023;

15 2. Three percent (3.0%) for tax years beginning not later than
16 December 31, 2024;

17 3. Two and five-tenths percent (2.5%) for tax years beginning
18 not later than December 31, 2025;

19 4. Two percent (2.0%) for tax years beginning not later than
20 December 31, 2026;

21 5. One and five-tenths percent (1.5%) for tax years beginning
22 not later than December 31, 2027;

23 6. One percent (1.0%) for tax years beginning not later than
24 December 31, 2028;

1 7. Five-tenths percent (0.5%) for tax years beginning not later
2 than December 31, 2029; and

3 8. Zero percent (0%) for tax years beginning on or after
4 January 1, 2030.

5 B. 1. The privilege tax levied by this section shall be in
6 addition to the Business Activity Tax levied in Section 1218 of this
7 title and the franchise tax levied in Article 12 of this title and
8 in lieu of the tax levied by Section 2355 of this title and in lieu
9 of all taxes levied by the State of Oklahoma, or any subdivision
10 thereof, upon the shares of stock or personal property of any
11 banking association or credit union subject to taxation under this
12 section.

13 2. Nothing in this section shall be construed to exempt the
14 real property of any banking associations or credit unions from
15 taxation to the same extent, according to its value, as other real
16 property is taxed. Nothing herein shall be construed to exempt an
17 association from payment of any fee or tax authorized or levied
18 pursuant to the banking laws.

19 3. Personal property which is subject to a lease agreement
20 between a bank or credit union, as lessor, and a nonbanking business
21 entity or individual, as lessee, is not exempt from personal
22 property ad valorem taxation. Provided further, that it shall be
23 the duty of the lessee of such personal property to return sworn
24 lists or schedules of their taxable property within each county to

1 the county assessor of such county as provided in Sections 2433 and
2 2434 of this title.

3 4. For all tax years beginning on or after January 1, 2030, an
4 entity subject to the tax otherwise levied by the provisions of this
5 section shall pay an annual fee, in lieu of any other tax on the
6 personal property of the financial institution, in the amount of One
7 Hundred Dollars (\$100.00). Such fee shall be apportioned to the
8 State Public Common School Building Equalization Fund to be
9 distributed in the manner prescribed by Section 3-104 of Title 70 of
10 the Oklahoma Statutes.

11 C. Any tax levied under this section shall accrue on the last
12 day of the taxable year and be payable as provided in Section 2375
13 of this title. The accrual of such tax for the first taxable year
14 to which this act applies, shall apply notwithstanding the prior
15 accrual of a tax in the same taxable year based upon the net income
16 of the next preceding taxable year; provided, however, any
17 additional deduction enuring to the benefit of the taxpayer shall be
18 deducted in accordance with the optional transitional deduction
19 procedures in Section 2354 of this title.

20 D. The basis of the tax shall be United States taxable income
21 as defined in paragraph 10 of Section 2353 of this title and any
22 adjustments thereto under the provisions of Section 2358 of this
23 title with the following adjustments:
24

1 1. There shall be deducted all interest income on obligations
2 of the United States government and agencies thereof not otherwise
3 exempted and all interest income on obligations of the State of
4 Oklahoma or political subdivisions thereof, including public trust
5 authorities, not otherwise exempted under the laws of this state;
6 and

7 2. Expense deductions claimed in arriving at taxable income
8 under paragraph 10 of Section 2353 of this title shall be reduced by
9 an amount equal to fifty percent (50%) of excluded interest income
10 on obligations of the United States government or agencies thereof
11 and obligations of the State of Oklahoma or political subdivisions
12 thereof.

13 E. 1. Except as otherwise provided in paragraph 2 of this
14 subsection, before January 1, 2017, there shall be allowed a credit
15 against the tax levied in subsection A of this section in an amount
16 equal to the amount of taxable income received by a participating
17 financial institution as defined in Section 90.2 of Title 62 of the
18 Oklahoma Statutes pursuant to a loan made under the Rural Economic
19 Development Loan Act. Such credit shall be limited each year to
20 five percent (5%) of the amount of annual payroll certified by the
21 Oklahoma Rural Economic Development Loan Program Review Board
22 pursuant to the provisions of paragraph 3 of subsection B of Section
23 90.4 of Title 62 of the Oklahoma Statutes with respect to the loan
24 made by the participating financial institution and may be claimed

1 for any number of years necessary until the amount of total credits
2 claimed is equal to the total amount of taxable income received by
3 the participating financial institution pursuant to the loan. Any
4 credit allowed but not used in a taxable year may be carried forward
5 for a period not to exceed five (5) taxable years. In no event
6 shall a credit allowed pursuant to the provisions of this subsection
7 be transferable or refundable.

8 2. No credit otherwise authorized by the provisions of this
9 subsection may be claimed for any event, transaction, investment,
10 expenditure or other act occurring on or after July 1, 2010, for
11 which the credit would otherwise be allowable. The provisions of
12 this paragraph shall cease to be operative on July 1, 2012.
13 Beginning July 1, 2012, the credit authorized by this subsection may
14 be claimed for any event, transaction, investment, expenditure or
15 other act occurring on or after July 1, 2012, according to the
16 provisions of this subsection.

17 SECTION 4. AMENDATORY 68 O.S. 2021, Section 2805, is
18 amended to read as follows:

19 Section 2805. The following fees or taxes levied by the
20 provisions of the Oklahoma Statutes shall be in lieu of ad valorem
21 tax, whether in lieu of real property tax, personal property tax, or
22 both as provided by law:

23 1. The registration fees and taxes imposed upon aircraft by
24 Section 251 et seq. of Title 3 of the Oklahoma Statutes;

1 2. Registration fees for motor vehicles as provided in Section
2 1103 of Title 47 of the Oklahoma Statutes, except as otherwise
3 specifically provided;

4 3. The fee imposed upon transfers of used vehicles in lieu of
5 the ad valorem tax upon inventories of used motor vehicles by
6 Section 1137.1 of Title 47 of the Oklahoma Statutes;

7 4. The registration and license fees imposed upon vessels and
8 motors pursuant to the Oklahoma Vessel and Motor Registration Act,
9 Section 4001 et seq. of Title 63 of the Oklahoma Statutes;

10 5. The taxes levied upon the gross production of substances
11 pursuant to Section 1001 of this title;

12 6. The taxes levied upon the gross production of substances
13 pursuant to Section 1020 of this title;

14 7. The tax imposed upon gross receipts pursuant to Section 1803
15 of this title;

16 8. The tax imposed upon certain textile products pursuant to
17 Section 2001 of this title;

18 9. The tax imposed upon certain freight cars pursuant to
19 Section 2202 of this title;

20 10. The tax imposed on certain parts of the inventories, both
21 new and used items, owned and/or possessed for sale by retailers of
22 farm tractors and other equipment pursuant to Sections ~~±~~ 5401
23 through ~~4~~ 5404 of this ~~act~~ title;

24

1 11. The tax imposed upon inventories of new vehicles and
2 certain vessels pursuant to Section 5301 of this title; ~~and~~

3 12. The fee imposed pursuant to Section 2370 of this title for
4 applicable periods beginning on or after January 1, 2030; and

5 13. Such other fees or taxes as may be expressly provided by
6 law to be in lieu of ad valorem taxation.

7 SECTION 5. This act shall become effective January 1, 2023.

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9 58-2-11027 LRB 03/03/22

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