

An Act

ENROLLED HOUSE
BILL NO. 3418

By: Fetgatter of the House

and

Montgomery of the Senate

An Act relating to revenue and taxation; defining terms; authorizing permanent full expensing for certain properties; requiring conformity with Internal Revenue Code; authorizing Tax Commission to promulgate rules; and declaring an emergency.

SUBJECT: Revenue and taxation

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

SECTION 1. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 2358.6A of Title 68, unless there is created a duplication in numbering, reads as follows:

A. As used in this section:

1. "Internal Revenue Code" means Title 26 of the United States Code also known as the federal Internal Revenue Code of 1986, as amended;

2. "Tax Cuts and Jobs Act" means Public Law No. 115-97 (115th Congress Public Law 97);

3. "Qualified property" shall have the same meaning as in Internal Revenue Code Section 168(k) as the Code existed on January 1, 2021, and shall apply to property placed in service after December 31, 2021;

4. "Qualified improvement property" shall have the same meaning as in Internal Revenue Code Section 168(e)(6) as the Code existed on

January 1, 2021, and shall apply to property placed in service after December 31, 2021; and

5. "Full expensing" or "one hundred percent (100%) bonus depreciation" means a method for taxpayers to recover costs for certain expenditures in research and experimentation and depreciable business assets by immediately deducting the full cost of such expenditures in the tax year in which the cost is incurred or the property is placed in service.

B. Taxpayers shall have the option for immediate and full expensing for qualified property and qualified improvement property as follows:

1. For purposes of computing income tax for taxable years beginning after December 31, 2021, the cost of expenditures for business assets that are qualified property or qualified improvement property covered under Section 168 of the Internal Revenue Code shall be eligible for one hundred percent (100%) bonus depreciation and may be deducted as an expense incurred by the taxpayer during the taxable year during which the property is placed in service, notwithstanding any changes to federal law related to amortization of cost recovery beginning on or after January 1, 2023, and shall permanently remain fully and immediately deductible as an expense in the tax year in which the property is placed in service for purposes of calculating the taxpayer's income; and

2. The taxpayer's decision to recover investment costs through immediate expensing in the year the investment cost is incurred, or amortized over an amortization schedule, is irrevocable unless specifically allowed for by the Oklahoma Tax Commission.

C. 1. To conform to Section 179 of the Internal Revenue Code, taxpayers shall be allowed to immediately deduct as an expense the cost of certain depreciable business assets in the tax year in which the property is placed in service.

2. For purposes of computing income tax for taxable years beginning after December 31, 2021, taxpayers may elect to treat the cost of any Section 179 of the Internal Revenue Code property as an expense which is not chargeable to the capital account. Any cost so treated shall be allowed as a deduction for the taxable year in which the Section 179 Internal Revenue Code property is placed in service.

D. The Oklahoma Tax Commission shall, within sixty (60) days of the effective date of this act, promulgate rules for implementation of this act which shall conform to the Internal Revenue Code of 1986 and must be consistent with the Internal Revenue Service's rules. The provisions of this section shall supersede to the extent of any inconsistency with any administrative rule.

SECTION 2. It being immediately necessary for the preservation of the public peace, health or safety, an emergency is hereby declared to exist, by reason whereof this act shall take effect and be in full force from and after its passage and approval.

Passed the House of Representatives the 20th day of May, 2022.

Presiding Officer of the House
of Representatives

Passed the Senate the 20th day of May, 2022.

Presiding Officer of the Senate

OFFICE OF THE GOVERNOR

Received by the Office of the Governor this _____

day of _____, 20_____, at _____ o'clock _____ M.

By: _____

Approved by the Governor of the State of Oklahoma this _____

day of _____, 20_____, at _____ o'clock _____ M.

Governor of the State of Oklahoma

OFFICE OF THE SECRETARY OF STATE

Received by the Office of the Secretary of State this _____

day of _____, 20_____, at _____ o'clock _____ M.

By: _____