

1 **HOUSE OF REPRESENTATIVES - FLOOR VERSION**

2 STATE OF OKLAHOMA

3 2nd Session of the 58th Legislature (2022)

4 COMMITTEE SUBSTITUTE
5 FOR
6 HOUSE BILL NO. 4358

By: Boatman and **Hill** of the
House

and

Quinn of the Senate

7
8
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10 COMMITTEE SUBSTITUTE

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

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

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

8 1. METHOD 1.

9 a. Single individuals and married individuals filing
10 separately not deducting federal income tax:

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

12 (2) 1% tax on next \$1,500.00 or part thereof,

13 (3) 2% tax on next \$1,250.00 or part thereof,

14 (4) 3% tax on next \$1,150.00 or part thereof,

15 (5) 4% tax on next \$1,300.00 or part thereof,

16 (6) 5% tax on next \$1,500.00 or part thereof,

17 (7) 6% tax on next \$2,300.00 or part thereof, and

18 (8) (a) for taxable years beginning after December
19 31, 1998, and before January 1, 2002, 6.75%
20 tax on the remainder,

21 (b) for taxable years beginning on or after
22 January 1, 2002, and before January 1, 2004,
23 7% tax on the remainder, and
24

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

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

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

10 (2) 1% tax on next \$3,000.00 or part thereof,

11 (3) 2% tax on next \$2,500.00 or part thereof,

12 (4) 3% tax on next \$2,300.00 or part thereof,

13 (5) 4% tax on next \$2,400.00 or part thereof,

14 (6) 5% tax on next \$2,800.00 or part thereof,

15 (7) 6% tax on next \$6,000.00 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 2. METHOD 2.

1 a. Single individuals and married individuals filing
2 separately deducting federal income tax:

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

4 (2) 1% tax on next \$1,500.00 or part thereof,

5 (3) 2% tax on next \$1,250.00 or part thereof,

6 (4) 3% tax on next \$1,150.00 or part thereof,

7 (5) 4% tax on next \$1,200.00 or part thereof,

8 (6) 5% tax on next \$1,400.00 or part thereof,

9 (7) 6% tax on next \$1,500.00 or part thereof,

10 (8) 7% tax on next \$1,500.00 or part thereof,

11 (9) 8% tax on next \$2,000.00 or part thereof,

12 (10) 9% tax on next \$3,500.00 or part thereof, and

13 (11) 10% tax on the remainder.

14 b. Married individuals filing jointly and surviving

15 spouse to the extent and in the manner that a

16 surviving spouse is permitted to file a joint return

17 under the provisions of the Internal Revenue Code and

18 heads of households as defined in the Internal Revenue

19 Code deducting federal income tax:

20 (1) 1/2% tax on the first \$2,000.00 or part thereof,

21 (2) 1% tax on the next \$3,000.00 or part thereof,

22 (3) 2% tax on the next \$2,500.00 or part thereof,

23 (4) 3% tax on the next \$1,400.00 or part thereof,

24 (5) 4% tax on the next \$1,500.00 or part thereof,

- 1 (6) 5% tax on the next \$1,600.00 or part thereof,
- 2 (7) 6% tax on the next \$1,250.00 or part thereof,
- 3 (8) 7% tax on the next \$1,750.00 or part thereof,
- 4 (9) 8% tax on the next \$3,000.00 or part thereof,
- 5 (10) 9% tax on the next \$6,000.00 or part thereof, and
- 6 (11) 10% tax on the remainder.

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

14 1. Single individuals and married individuals filing
15 separately:

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

1 (h) 5.25% tax on the remainder for the 2009 and subsequent
2 tax years. The decrease in the top marginal
3 individual income tax rate otherwise authorized by
4 this subparagraph shall be contingent upon the
5 determination required to be made by the State Board
6 of Equalization pursuant to Section 2355.1A of this
7 title.

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

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

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

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

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

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

18 (f) 5% tax on next \$2,800.00 or part thereof,

19 (g) 5.50% tax on the remainder for the 2008 tax year and
20 any subsequent tax year unless the rate prescribed by
21 subparagraph (h) of this paragraph is in effect, and

22 (h) 5.25% tax on the remainder for the 2009 and subsequent
23 tax years. The decrease in the top marginal
24 individual income tax rate otherwise authorized by

1 this subparagraph shall be contingent upon the
2 determination required to be made by the State Board
3 of Equalization pursuant to Section 2355.1A of this
4 title.

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

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

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

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

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

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

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

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

19 Equalization makes a determination pursuant to Section

20 4 of this act or four and eighty-five hundredths

21 (4.85%) tax on the remainder if the State Board of

22 Equalization makes a determination pursuant to Section

23 5 of this act.
24

1 2. Married individuals filing jointly and surviving spouse to
2 the extent and in the manner that a surviving spouse is permitted to
3 file a joint return under the provisions of the Internal Revenue
4 Code and heads of households as defined in the Internal Revenue
5 Code:

- 6 (a) 1/2% tax on first \$2,000.00 or part thereof,
- 7 (b) 1% tax on next \$3,000.00 or part thereof,
- 8 (c) 2% tax on next \$2,500.00 or part thereof,
- 9 (d) 3% tax on next \$2,300.00 or part thereof,
- 10 (e) 4% tax on next \$2,400.00 or part thereof,
- 11 (f) 5% tax on the remainder if the State Board of
12 Equalization makes a determination pursuant to Section
13 4 of this act or four and eighty-five hundredths
14 percent (4.85%) tax on the remainder if the State
15 Board of Equalization makes a determination pursuant
16 to Section 5 of this act.

17 No deduction for federal income taxes paid shall be allowed to
18 any taxpayer to arrive at taxable income.

19 D. Nonresident aliens. In lieu of the rates set forth in
20 subsection A above, there shall be imposed on nonresident aliens, as
21 defined in the Internal Revenue Code, a tax of eight percent (8%)
22 instead of thirty percent (30%) as used in the Internal Revenue
23 Code, with respect to the Oklahoma taxable income of such
24

1 nonresident aliens as determined under the provision of the Oklahoma
2 Income Tax Act.

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

22 E. Corporations. ~~For~~ 1. Except as otherwise provided by
23 paragraph 2 of this subsection, for all taxable years beginning
24 after December 31, 2021, a tax is hereby imposed upon the Oklahoma

1 taxable income of every corporation doing business within this state
2 or deriving income from sources within this state in an amount equal
3 to four percent (4%) thereof.

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

- 9 a. three and five-tenths percent (3.5%) for tax years
10 beginning not later than December 31, 2023,
- 11 b. three percent (3.0%) for tax years beginning not later
12 than December 31, 2024,
- 13 c. two and five-tenths percent (2.5%) for tax years
14 beginning not later than December 31, 2025,
- 15 d. two percent (2.0%) for tax years beginning not later
16 than December 31, 2026,
- 17 e. one and five-tenths percent (1.5%) for tax years
18 beginning not later than December 31, 2027,
- 19 f. one percent (1.0%) for tax years beginning not later
20 than December 31, 2028,
- 21 g. five-tenths percent (0.5%) for tax years beginning not
22 later than December 31, 2029, and
- 23 h. zero percent (0%) for tax years beginning on or after
24 January 1, 2030.

1 There shall be no additional Oklahoma income tax imposed on
2 accumulated taxable income or on undistributed personal holding
3 company income as those terms are defined in the Internal Revenue
4 Code.

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

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

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

21 (2) is a component member of an affiliated group
22 filing a consolidated Oklahoma income tax return
23 under the provisions of Section 2367 of this
24 title, and the component members of such

1 affiliated group have, in the aggregate, Oklahoma
2 tax credit carryforwards in excess of Fifty
3 Million Dollars (\$50,000,000.00) that have an
4 indefinite carryforward period, as of the
5 effective date of this act.

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

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

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

24 Every payer required to deduct and withhold taxes under this

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

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

22 H. Tax rate tables. For all taxable years beginning after
23 December 31, 1991, in lieu of the tax imposed by subsection A, B or
24 C of this section, as applicable there is hereby imposed for each

1 taxable year on the taxable income of every individual, whose
2 taxable income for such taxable year does not exceed the ceiling
3 amount, a tax determined under tables, applicable to such taxable
4 year which shall be prescribed by the Tax Commission and which shall
5 be in such form as it determines appropriate. In the table so
6 prescribed, the amounts of the tax shall be computed on the basis of
7 the rates prescribed by subsection A, B or C of this section. For
8 purposes of this subsection, the term "ceiling amount" means, with
9 respect to any taxpayer, the amount determined by the Tax Commission
10 for the tax rate category in which such taxpayer falls.

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

24

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

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

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

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

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

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

- 1 a. the highest Oklahoma marginal income tax rate levied
2 on the taxable income of natural persons pursuant to
3 Section 2355 of this title if the member is an
4 individual, trust, or estate,
- 5 b. ~~four percent (4%)~~ if the member is classified as a
6 corporation pursuant to the Internal Revenue Code, and
7 is not classified as an S corporation, a rate as
8 follows:
- 9 (1) three and five-tenths percent (3.5%) for tax
10 years beginning not later than December 31, 2023,
- 11 (2) three percent (3.0%) for tax years beginning not
12 later than December 31, 2024,
- 13 (3) two and five-tenths percent (2.5%) for tax years
14 beginning not later than December 31, 2025,
- 15 (4) two percent (2.0%) for tax years beginning not
16 later than December 31, 2026,
- 17 (5) one and five-tenths percent (1.5%) for tax years
18 beginning not later than December 31, 2027,
- 19 (6) one percent (1.0%) for tax years beginning not
20 later than December 31, 2028,
- 21 (7) five-tenths percent (0.5%) for tax years
22 beginning not later than December 31, 2029, and
- 23 (8) zero percent (0%) for tax years beginning on or
24 after January 1, 2030,

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

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

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

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

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

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

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

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

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

19 d. ~~four percent (4%)~~ if the member is a financial
20 institution subject to tax imposed pursuant to the
21 provisions of Section 2370 of this title, the rate
22 prescribed by Section 2370 of this title, and

23 e. the highest Oklahoma marginal income tax rate that
24 would be applicable to any item of the electing pass-

1 through entity's income or gain without the election
2 made pursuant to subsection F of this section, if the
3 member is an organization described in Section 2359 of
4 this title; and

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

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

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

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

23 E. Notwithstanding paragraph 2 of subsection C of Section 2368
24 of this title, a nonresident individual who is a member of an

1 electing pass-through entity is not required to file an Oklahoma
2 income tax return, if, for the taxable year, the only source of
3 income allocable or apportionable to this state for the member, or,
4 if a joint income tax return is filed, the member and his or her
5 spouse, is from one or more electing pass-through entities, and each
6 electing pass-through entity files and pays the taxes due under this
7 section.

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

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

23 H. The election authorized by the provisions of this section
24 shall be made pursuant to procedures prescribed by the Tax

1 Commission and shall be filed (i) within sixty (60) days of
2 enactment and pursuant to procedures prescribed by the Oklahoma Tax
3 Commission for any income tax year beginning on or after January 1,
4 2019, and prior to January 1, 2020, or (ii) for any income tax year
5 beginning on or after January 1, 2020, at any time during the
6 preceding tax year or two (2) months and fifteen (15) days after the
7 beginning of the tax year. Any such election shall be binding until
8 revoked pursuant to procedures prescribed by the Tax Commission.
9 The effective date of a revocation (i) made within two (2) months
10 and fifteen (15) days of the electing pass-through entity's taxable
11 year shall be the first day of such taxable year and (ii) made
12 during the electing pass-through entity's taxable year but after
13 such fifteenth day shall be effective on the first day of the
14 following taxable year. No election made by a pass-through entity
15 with respect to income tax to be paid by such entity using the
16 calculations prescribed by this section shall be binding on any
17 other pass-through entity, and each pass-through entity shall be
18 able to make an election under the provisions of this act
19 independently.

20 I. The provisions of this section shall cease to have the force
21 and effect of law after the expiration of the last date the
22 applicable tax return is filed, including any extensions, with
23 respect to the final taxable year for which any entity having made
24 an election to be subject to the provisions of this section is

1 required to file a return with the Oklahoma Tax Commission,
2 including the period of time required for any person or entity
3 receiving a distribution of income or an allocation of loss from a
4 pass-through entity is required to file a return with the Oklahoma
5 Tax Commission, including any extensions.

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

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

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

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

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

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

24

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

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

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

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

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

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

23 3. Personal property which is subject to a lease agreement
24 between a bank or credit union, as lessor, and a nonbanking business

1 entity or individual, as lessee, is not exempt from personal
2 property ad valorem taxation. Provided further, that it shall be
3 the duty of the lessee of such personal property to return sworn
4 lists or schedules of their taxable property within each county to
5 the county assessor of such county as provided in Sections 2433 and
6 2434 of this title.

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

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

24

1 D. The basis of the tax shall be United States taxable income
2 as defined in paragraph 10 of Section 2353 of this title and any
3 adjustments thereto under the provisions of Section 2358 of this
4 title with the following adjustments:

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

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

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

1 Oklahoma Rural Economic Development Loan Program Review Board
2 pursuant to the provisions of paragraph 3 of subsection B of Section
3 90.4 of Title 62 of the Oklahoma Statutes with respect to the loan
4 made by the participating financial institution and may be claimed
5 for any number of years necessary until the amount of total credits
6 claimed is equal to the total amount of taxable income received by
7 the participating financial institution pursuant to the loan. Any
8 credit allowed but not used in a taxable year may be carried forward
9 for a period not to exceed five (5) taxable years. In no event
10 shall a credit allowed pursuant to the provisions of this subsection
11 be transferable or refundable.

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

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

23 Section 2805. The following fees or taxes levied by the
24 provisions of the Oklahoma Statutes shall be in lieu of ad valorem

1 tax, whether in lieu of real property tax, personal property tax, or
2 both as provided by law:

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

5 2. Registration fees for motor vehicles as provided in Section
6 1103 of Title 47 of the Oklahoma Statutes, except as otherwise
7 specifically provided;

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

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

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

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

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

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

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

24

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

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

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

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

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

12
13 COMMITTEE REPORT BY: COMMITTEE ON RULES, dated 03/03/2022 - DO PASS,
14 As Amended and Coauthored.

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