

1 STATE OF OKLAHOMA

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

3 HOUSE BILL 3635

By: Lepak

6 AS INTRODUCED

7 An Act relating to revenue and taxation; amending 68  
8 O.S. 2021, Section 2355, which relates to the levy of  
9 income tax on individuals, corporations and other  
10 entities; modifying rate of income tax for  
11 individuals; providing for decrease in rate based on  
12 certain conditions related to appropriations  
13 authority as determined at February meetings of the  
14 State Board of Equalization; prescribing procedures  
15 for determinations of conditions pursuant to which  
16 income tax rate decreases authorized; providing for  
17 successive reductions until income tax rate equals  
18 zero; amending 68 O.S. 2021, Section 2358, which  
19 relates to Oklahoma taxable income and Oklahoma  
20 adjusted gross income; modifying standard deduction  
21 amounts based on filing status for certain income tax  
22 year; and providing an effective date.

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

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

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

1. METHOD 1.

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

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

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

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

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

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

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

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

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

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

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

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

- (1) 1/2% tax on first \$2,000.00 or part thereof,
- (2) 1% tax on next \$3,000.00 or part thereof,
- (3) 2% tax on next \$2,500.00 or part thereof,
- (4) 3% tax on next \$2,300.00 or part thereof,
- (5) 4% tax on next \$2,400.00 or part thereof,
- (6) 5% tax on next \$2,800.00 or part thereof,
- (7) 6% tax on next \$6,000.00 or part thereof, and
- (8) (a) for taxable years beginning after December 31, 1998, and before January 1, 2002, 6.75% tax on the remainder,
- (b) for taxable years beginning on or after January 1, 2002, and before January 1, 2004, 7% tax on the remainder, and
- (c) for taxable years beginning on or after January 1, 2004, 6.65% tax on the remainder.

2. METHOD 2.

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

- (1) 1/2% tax on first \$1,000.00 or part thereof,
- (2) 1% tax on next \$1,500.00 or part thereof,
- (3) 2% tax on next \$1,250.00 or part thereof,
- (4) 3% tax on next \$1,150.00 or part thereof,
- (5) 4% tax on next \$1,200.00 or part thereof,
- (6) 5% tax on next \$1,400.00 or part thereof,

- (7) 6% tax on next \$1,500.00 or part thereof,
- (8) 7% tax on next \$1,500.00 or part thereof,
- (9) 8% tax on next \$2,000.00 or part thereof,
- (10) 9% tax on next \$3,500.00 or part thereof, and
- (11) 10% tax on the remainder.

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

- (1) 1/2% tax on the first \$2,000.00 or part thereof,
- (2) 1% tax on the next \$3,000.00 or part thereof,
- (3) 2% tax on the next \$2,500.00 or part thereof,
- (4) 3% tax on the next \$1,400.00 or part thereof,
- (5) 4% tax on the next \$1,500.00 or part thereof,
- (6) 5% tax on the next \$1,600.00 or part thereof,
- (7) 6% tax on the next \$1,250.00 or part thereof,
- (8) 7% tax on the next \$1,750.00 or part thereof,
- (9) 8% tax on the next \$3,000.00 or part thereof,
- (10) 9% tax on the next \$6,000.00 or part thereof, and
- (11) 10% tax on the remainder.

B. Individuals. For all taxable years beginning on or after January 1, 2008, and ending any tax year which begins after December

1 31, 2015, for which the determination required pursuant to Sections  
2 4 and 5 of this act is made by the State Board of Equalization, a  
3 tax is hereby imposed upon the Oklahoma taxable income of every  
4 resident or nonresident individual, which tax shall be computed as  
5 follows:

6 1. Single individuals and married individuals filing  
7 separately:

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

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

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

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

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

13 (f) 5% tax on next \$1,500.00 or part thereof,

14 (g) 5.50% tax on the remainder for the 2008 tax year and

15 any subsequent tax year unless the rate prescribed by

16 subparagraph (h) of this paragraph is in effect, and

17 (h) 5.25% tax on the remainder for the 2009 and subsequent

18 tax years. The decrease in the top marginal

19 individual income tax rate otherwise authorized by

20 this subparagraph shall be contingent upon the

21 determination required to be made by the State Board

22 of Equalization pursuant to Section 2355.1A of this

23 title.  
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 next \$2,800.00 or part thereof,
- 12           (g) 5.50% tax on the remainder for the 2008 tax year and  
13                any subsequent tax year unless the rate prescribed by  
14                subparagraph (h) of this paragraph is in effect, and  
15            (h) 5.25% tax on the remainder for the 2009 and subsequent  
16                tax years. The decrease in the top marginal  
17                individual income tax rate otherwise authorized by  
18                this subparagraph shall be contingent upon the  
19                determination required to be made by the State Board  
20                of Equalization pursuant to Section 2355.1A of this  
21                title.

22        C. Individuals. For all taxable years beginning on or after  
23 January 1, 2022, a tax is hereby imposed upon the Oklahoma taxable  
24

1 income of every resident or nonresident individual, which tax shall  
2 be computed as follows:

3 1. Single individuals and married individuals filing  
4 separately:

- 5 (a) 0.25% tax on first \$1,000.00 or part thereof,
- 6 (b) 0.75% tax on next \$1,500.00 or part thereof,
- 7 (c) 1.75% tax on next \$1,250.00 or part thereof,
- 8 (d) 2.75% tax on next \$1,150.00 or part thereof,
- 9 (e) 3.75% tax on next \$2,300.00 or part thereof,
- 10 (f) 4.75% tax on the remainder.

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

- 16 (a) 0.25% tax on first \$2,000.00 or part thereof,
- 17 (b) 0.75% tax on next \$3,000.00 or part thereof,
- 18 (c) 1.75% tax on next \$2,500.00 or part thereof,
- 19 (d) 2.75% tax on next \$2,300.00 or part thereof,
- 20 (e) 3.75% tax on next \$2,400.00 or part thereof,
- 21 (f) 4.75% tax on the remainder.

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

1        D. Individuals. Except as otherwise provided by subsection E  
2 of this section, for all taxable years beginning on or after January  
3 1, 2023, a tax is hereby imposed upon the Oklahoma taxable income of  
4 every resident or nonresident individual, which tax shall be  
5 computed as follows:

6        1. Single individuals and married individuals filing separately  
7 at the rate of four and seventy-five hundredths percent (4.75%);

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 Code  
12 at the rate of four and seventy-five hundredths percent (4.75%).

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

15        E. The State Board of Equalization, at its February meeting  
16 each year, shall make a determination regarding the possibility of a  
17 decrease in the income tax rate otherwise prescribed by subsection D  
18 of this section. If the revenue conditions prescribed by this  
19 subsection are met, which shall be included as part of the findings  
20 of the State Board of Equalization, then the income tax rate  
21 otherwise prescribed by subsection D of this section shall be  
22 reduced by one-half of one percent (0.5%) effective on January 1 of  
23 the calendar immediately following the year during which the State  
24 Board of Equalization makes the finding that revenue growth as



1 prescribed by this subsection is sufficient to reduce the income tax  
2 rate otherwise prescribed by subsection D of this section. For  
3 purposes of this subsection, the appropriation authority with  
4 respect to the General Revenue Fund of the State Treasury for the  
5 fiscal year ending June 30, 2020, based upon the certified estimate  
6 made by the State Board of Equalization at its February 2019 meeting  
7 shall be the initial base year amount. Beginning with the February  
8 2023 meeting of the State Board of Equalization and at each  
9 succeeding February meeting, the State Board shall compare the  
10 General Revenue Fund appropriation authority amount for the upcoming  
11 fiscal year to the initial base year General Revenue Fund  
12 appropriation authority. If there is an increase in the General  
13 Revenue Fund appropriation authority equal to or greater than five  
14 percent (5%) compared to the initial base year General Revenue Fund  
15 appropriation authority, the income tax rate otherwise prescribed by  
16 subsection D of this section shall be reduced effective January 1 of  
17 the immediately succeeding calendar year. If there is not an  
18 increase of at least five percent (5%) in the General Revenue Fund  
19 appropriation authority as reflected in the February estimate  
20 compared to the initial base year General Revenue Fund appropriation  
21 authority, there shall be no modification of the income tax rate as  
22 prescribed by this section. For any year during which the General  
23 Revenue Fund appropriation authority as determined at the February  
24 meeting equals or exceeds the base year General Revenue Fund

1 appropriation authority by five percent (5%) or more, the base year  
2 shall be adjusted for purposes of any succeeding comparison. The  
3 State Board of Equalization shall make computations as required by  
4 this subsection and shall use the prior base year amount which shall  
5 be multiplied by five percent (5%) and the result of that  
6 computation shall be added to the base year General Revenue Fund  
7 appropriation authority figure for purposes of any succeeding  
8 comparison as prescribed by this subsection. After an adjustment is  
9 made to any base year amount, a reduction in the income tax rate  
10 otherwise prescribed pursuant to subsection D of this section, in  
11 increments of one-half of one percent (0.5%) may only occur if there  
12 is an increase of five percent (5%) or more in the adjusted base  
13 year General Revenue Fund appropriation authority amount. If there  
14 are nine authorized reductions in the income tax rate otherwise  
15 prescribed by subsection D of this section, the tenth reduction in  
16 the income tax rate shall cause the income tax rate to be zero (0)  
17 and for the applicable income tax year, there shall be no individual  
18 income tax levied pursuant to the provisions of this section.

19 F. 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.~~ G. Corporations. For all taxable years beginning after  
23 December 31, 1989, a tax is hereby imposed upon the Oklahoma taxable  
24 income of every corporation doing business within this state or

1 deriving income from sources within this state in an amount equal to  
2 six percent (6%) thereof.

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

7 ~~F.~~ H. Certain foreign corporations. In lieu of the tax imposed  
8 in the first paragraph of subsection D of this section, for all  
9 taxable years beginning after December 31, 1989, there shall be  
10 imposed on foreign corporations, as defined in the Internal Revenue  
11 Code, a tax of six percent (6%) instead of thirty percent (30%) as  
12 used in the Internal Revenue Code, where such income is received  
13 from sources within Oklahoma, in accordance with the provisions of  
14 the Internal Revenue Code and the Oklahoma Income Tax Act.

15 Every payer of amounts covered by this subsection shall deduct  
16 and withhold from such amounts paid each payee an amount equal to  
17 six percent (6%) thereof. Every payer required to deduct and  
18 withhold taxes under this subsection shall for each quarterly period  
19 on or before the last day of the month following the close of each  
20 such quarterly period, pay over the amount so withheld as taxes to  
21 the Tax Commission, and shall file a return with each such payment.  
22 Such return shall be in such form as the Tax Commission shall  
23 prescribe. Every payer required under this subsection to deduct and  
24 withhold a tax from a payee shall, as to the total amounts paid to

1 each payee during the calendar year, furnish to such payee, on or  
2 before January 31, of the succeeding year, a written statement  
3 showing the name of the payer, the name of the payee and the payee's  
4 Social Security account number, if any, the total amounts paid  
5 subject to taxation, the total amount deducted and withheld as tax  
6 and such other information as the Tax Commission may require. Any  
7 payer who fails to withhold or pay to the Tax Commission any sums  
8 herein required to be withheld or paid shall be personally and  
9 individually liable therefor to the State of Oklahoma.

10 ~~G.~~ I. Fiduciaries. A tax is hereby imposed upon the Oklahoma  
11 taxable income of every trust and estate at the same rates as are  
12 provided in subsection B or C of this section for single  
13 individuals. Fiduciaries are not allowed a deduction for any  
14 federal income tax paid.

15 ~~H.~~ J. Tax rate tables. For all taxable years beginning after  
16 December 31, 1991, in lieu of the tax imposed by subsection A, B or  
17 C of this section, as applicable there is hereby imposed for each  
18 taxable year on the taxable income of every individual, whose  
19 taxable income for such taxable year does not exceed the ceiling  
20 amount, a tax determined under tables, applicable to such taxable  
21 year which shall be prescribed by the Tax Commission and which shall  
22 be in such form as it determines appropriate. In the table so  
23 prescribed, the amounts of the tax shall be computed on the basis of  
24 the rates prescribed by subsection A, B or C of this section. For

1 purposes of this subsection, the term "ceiling amount" means, with  
2 respect to any taxpayer, the amount determined by the Tax Commission  
3 for the tax rate category in which such taxpayer falls.

4 SECTION 2. AMENDATORY 68 O.S. 2021, Section 2358, is  
5 amended to read as follows:

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

20 For purposes of this paragraph:

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

10 2. For purposes of this subsection:

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

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

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

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

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

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

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

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

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

17          2.  As used in this subsection:

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

16 d. For the taxable year beginning on January 1, 2008, and  
17 ending December 31, 2008, in the case of individuals  
18 who use the standard deduction in determining taxable  
19 income, there shall be added or deducted, as the case  
20 may be, the difference necessary to allow a standard  
21 deduction in lieu of the standard deduction allowed by  
22 the Internal Revenue Code, in an amount equal to:  
23  
24

- (1) Six Thousand Five Hundred Dollars (\$6,500.00), if the filing status is married filing joint or qualifying widow, or
- (2) Four Thousand Eight Hundred Seventy-five Dollars (\$4,875.00) for a head of household, or
- (3) Three Thousand Two Hundred Fifty Dollars (\$3,250.00), if the filing status is single or married filing separate.

e. For the taxable year beginning on January 1, 2009, and ending December 31, 2009, 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:

- (1) Eight Thousand Five Hundred Dollars (\$8,500.00), if the filing status is married filing joint or qualifying widow, or
- (2) Six Thousand Three Hundred Seventy-five Dollars (\$6,375.00) for a head of household, or
- (3) Four Thousand Two Hundred Fifty Dollars (\$4,250.00), if the filing status is single or married filing separate.

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

f. For taxable years beginning on or after January 1, 2010, and ending on December 31, 2016, in the case of individuals who use the standard deduction in determining taxable income, there shall be added or deducted, as the case may be, the difference necessary to allow a standard deduction equal to the standard deduction allowed by the Internal Revenue Code, based upon the amount and filing status prescribed by such Code for purposes of filing federal individual income tax returns.

g. For taxable years beginning on or after January 1, 2017, and ending not later than December 31, 2022, in the case of individuals who use the standard deduction in determining taxable income, there shall be added or deducted, as the case may be, the difference necessary to allow a standard deduction in lieu of the standard deduction allowed by the Internal Revenue Code, as follows:

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

- 1 (2) Twelve Thousand Seven Hundred Dollars  
2 (\$12,700.00) for married filing jointly or  
3 qualifying widower with dependent child, and  
4 (3) Nine Thousand Three Hundred Fifty Dollars  
5 (\$9,350.00) for head of household.

6 h. For taxable years beginning on or after January 1,  
7 2023, in the case of individuals who use the standard  
8 deduction in determining taxable income, there shall  
9 be added or deducted, as the case may be, the  
10 difference necessary to allow a standard deduction in  
11 lieu of the standard deduction allowed by the Internal  
12 Revenue Code, as follows:

- 13 (1) Ten Thousand Three Hundred Fifty Dollars  
14 (\$10,350.00) for single or married filing  
15 separately,  
16 (2) Twenty Thousand Seven Hundred Dollars  
17 (\$20,700.00) for married filing jointly or  
18 qualifying widower with dependent child, and  
19 (3) Thirteen Thousand Three Hundred Fifty Dollars  
20 (\$13,350.00) for head of household.

- 21 3. a. In the case of resident and part-year resident  
22 individuals having adjusted gross income from sources  
23 both within and without the state, the itemized or  
24 standard deductions and personal exemptions shall be

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

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

23 4. A resident individual with a physical disability  
24 constituting a substantial handicap to employment may deduct from



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

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

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

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

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 while on  
7 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 if the extension is  
19 granted pursuant to subparagraph b of this  
20 paragraph or be discharged from such  
21 hospital if the extension is granted  
22 pursuant to subparagraph c of this  
23 paragraph; or  
24

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.  
24

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.

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

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

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

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

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

Commission shall prescribe necessary requirements for verification.

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

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



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).

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

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

(1) "non-qualified withdrawal" means a withdrawal from an Oklahoma College Savings Plan account other than one of the following:

- (a) a qualified withdrawal,
- (b) a withdrawal made as a result of the death or disability of the designated beneficiary of an account,
- (c) a withdrawal that is made on the account of a scholarship or the allowance or payment described in Section 135(d)(1)(B) or (C) or by the Internal Revenue Code, received by the designated beneficiary to the extent the amount of the refund does not exceed the amount of the scholarship, allowance, or payment, or
- (d) a rollover or change of designated beneficiary as permitted by subsection F of Section 3970.7 of Title 70 of Oklahoma Statutes, and

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

18. For taxable years beginning after December 31, 2005, 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.

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

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

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

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  
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(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 3. This act shall become effective January 1, 2023.

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