

1                   **HOUSE OF REPRESENTATIVES - FLOOR VERSION**

2                               STATE OF OKLAHOMA

3                               1st Session of the 59th Legislature (2023)

4   HOUSE BILL 2025

                              By: Wolfley of the House

5   and

6   **Montgomery** of the Senate

7  
8                                       AS INTRODUCED

9                   **[ revenue and taxation - computation of Oklahoma**  
10                   **adjusted gross income - itemized deductions -**  
11                   **effective date]**

12  
13  
14   BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

15           SECTION 1.       AMENDATORY       68 O.S. 2021, Section 2358, as  
16   amended by Section 2, Chapter 341, O.S.L. 2022 (68 O.S. Supp. 2022,  
17   Section 2358), is amended to read as follows:

18           Section 2358. For all tax years beginning after December 31,  
19   1981, taxable income and adjusted gross income shall be adjusted to  
20   arrive at Oklahoma taxable income and Oklahoma adjusted gross income  
21   as required by this section.

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

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

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

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

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

21           b. For carryovers and carrybacks to taxable years  
22           beginning after December 31, 1980, the amount of any  
23           net operating loss deduction allowed for the taxable  
24           year shall be an amount equal to the aggregate of the

Oklahoma net operating loss carryovers and carrybacks to such year. Oklahoma net operating losses shall be separately determined by reference to Section 172 of the Internal Revenue Code, 26 U.S.C., Section 172, as modified by the Oklahoma Income Tax Act, Section 2351 et seq. of this title, and shall be allowed without regard to the existence of a federal net operating loss. For tax years beginning after December 31, 2000, and ending before January 1, 2008, the years to which such losses may be carried shall be determined solely by reference to Section 172 of the Internal Revenue Code, 26 U.S.C., Section 172, with the exception that the terms "net operating loss" and "taxable income" shall be replaced with "Oklahoma net operating loss" and "Oklahoma taxable income". For tax years beginning after December 31, 2007, and ending before January 1, 2009, years to which such losses may be carried back shall be limited to two (2) years. For tax years beginning after December 31, 2008, the years to which such losses may be carried back shall be determined solely by reference to Section 172 of the Internal Revenue Code, 26 U.S.C., Section 172, with the exception that the terms "net operating loss" and "taxable income" shall be replaced

1 with "Oklahoma net operating loss" and "Oklahoma  
2 taxable income".

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

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

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

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

1 in apportionable income; a resident trust or  
2 resident estate shall be treated as having a  
3 separate commercial or business situs insofar as  
4 undistributed income is concerned, but shall not  
5 be treated as having a separate commercial or  
6 business situs insofar as distributed income is  
7 concerned,

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

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

9 (3) income from such property which is required to be  
10 allocated pursuant to the provisions of paragraph  
11 5 of this subsection shall be allocated as herein  
12 provided;

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

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

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

1 (2) sales of the product stored in public warehouses  
2 within the state pursuant to "in transit"  
3 tariffs, as prescribed and allowed by the  
4 Interstate Commerce Commission, to a purchaser  
5 within the state,

6 (3) sales of the product stored in public warehouses  
7 within the state where the shipment to such  
8 warehouses is not covered by "in transit"  
9 tariffs, as prescribed and allowed by the  
10 Interstate Commerce Commission, to a purchaser  
11 within or without the state,

12 the Oklahoma net income shall, at the option of the  
13 taxpayer, be that portion of the total net income of  
14 the taxpayer for federal income tax purposes derived  
15 from the manufacture and/or processing and sales  
16 everywhere as determined by the ratio of the sales  
17 defined in this section made to the purchaser within  
18 the state to the total sales everywhere. The term  
19 "public warehouse" as used in this subparagraph means  
20 a licensed public warehouse, the principal business of  
21 which is warehousing merchandise for the public;

22 e. In the case of insurance companies, Oklahoma taxable  
23 income shall be taxable income of the taxpayer for  
24 federal tax purposes, as adjusted for the adjustments

1 provided pursuant to the provisions of paragraphs 1  
2 and 2 of this subsection, apportioned as follows:

3 (1) except as otherwise provided by division (2) of  
4 this subparagraph, taxable income of an insurance  
5 company for a taxable year shall be apportioned  
6 to this state by multiplying such income by a  
7 fraction, the numerator of which is the direct  
8 premiums written for insurance on property or  
9 risks in this state, and the denominator of which  
10 is the direct premiums written for insurance on  
11 property or risks everywhere. For purposes of  
12 this subsection, the term "direct premiums  
13 written" means the total amount of direct  
14 premiums written, assessments and annuity  
15 considerations as reported for the taxable year  
16 on the annual statement filed by the company with  
17 the Insurance Commissioner in the form approved  
18 by the National Association of Insurance  
19 Commissioners, or such other form as may be  
20 prescribed in lieu thereof,

21 (2) if the principal source of premiums written by an  
22 insurance company consists of premiums for  
23 reinsurance accepted by it, the taxable income of  
24 such company shall be apportioned to this state



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

1                   premiums written by each such ceding company for  
2                   the taxable year.

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

1 apporportioned with property and payroll, each comprising twenty-five  
2 percent (25%) of the apportionment factor and sales comprising fifty  
3 percent (50%) of the apportionment factor. The apportionment  
4 factors shall be computed as follows:

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

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

1 (2) Property owned by the taxpayer is valued at its  
2 original cost. Property rented by the taxpayer  
3 is valued at eight times the net annual rental  
4 rate. Net annual rental rate is the annual  
5 rental rate paid by the taxpayer, less any annual  
6 rental rate received by the taxpayer from  
7 subrentals,

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

15 b. The payroll factor is a fraction, the numerator of  
16 which is the total compensation for services rendered  
17 in the state during the tax period, and the  
18 denominator of which is the total compensation for  
19 services rendered everywhere during the tax period.  
20 "Compensation", as used in this subsection means those  
21 paid-for services to the extent related to the unitary  
22 business but does not include officers' salaries,  
23 wages and other compensation.  
24

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

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

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

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

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

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

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

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

1 Commission, the intrastate net income shall be  
2 determined separately in the manner provided by  
3 such uniform system of accounts and only the  
4 interstate income shall be subject to allocation  
5 pursuant to the provisions of this subsection.  
6 Provided further, that the gross revenue factors  
7 shall be those as are determined pursuant to the  
8 accounting procedures prescribed by the Federal  
9 Communications Commission.

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



1 factors which has the effect of increasing the portion of net income  
2 attributable to Oklahoma must not be inherently arbitrary, and  
3 application of the recomputed final apportionment to the net income  
4 of the enterprise must attribute to Oklahoma only a reasonable  
5 portion thereof.

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

1 the percentage for subsequent years. Any amount of the exemption  
2 permitted to be excluded pursuant to the provisions of this  
3 paragraph but not used in any year may be carried forward as an  
4 exemption from income pursuant to the provisions of this paragraph  
5 for a period not exceeding six (6) years following the year in which  
6 the investment was originally made.

7 For purposes of this paragraph:

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

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

21 (1) the processing of agricultural commodities,  
22 including receiving or storing agricultural  
23 commodities, or the production of milk at a dairy  
24 operation,

1 (2) transporting the agricultural commodities or  
2 product before, during or after the processing,  
3 or

4 (3) packaging or otherwise preparing the product for  
5 sale or shipment.

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

13 a. Sixty Thousand Dollars (\$60,000.00), or

14 b. the loss properly shown on Schedule F of the Internal  
15 Revenue Service Form 1040 reduced by one-half (1/2) of  
16 the income from all other sources other than reflected  
17 on Schedule F.

18 8. In taxable years beginning after December 31, 1995, all  
19 qualified wages equal to the federal income tax credit set forth in  
20 26 U.S.C.A., Section 45A, shall be deducted from taxable income.  
21 The deduction allowed pursuant to this paragraph shall only be  
22 permitted for the tax years in which the federal tax credit pursuant  
23 to 26 U.S.C.A., Section 45A, is allowed. For purposes of this  
24

1 paragraph, "qualified wages" means those wages used to calculate the  
2 federal credit pursuant to 26 U.S.C.A., Section 45A.

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

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

19 11. For taxable years beginning on or after January 1, 2019,  
20 there shall be subtracted from Oklahoma taxable income or adjusted  
21 gross income any item of income or gain, and there shall be added to  
22 Oklahoma taxable income or adjusted gross income any item of loss or  
23 deduction that in the absence of an election pursuant to the  
24 provisions of the Pass-Through Entity Tax Equity Act of 2019 would

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

17 B. 1. The taxable income of any corporation shall be further  
18 adjusted to arrive at Oklahoma taxable income, except those  
19 corporations electing treatment as provided in subchapter S of the  
20 Internal Revenue Code, 26 U.S.C., Section 1361 et seq., and Section  
21 2365 of this title, deductions pursuant to the provisions of the  
22 Accelerated Cost Recovery System as defined and allowed in the  
23 Economic Recovery Tax Act of 1981, Public Law 97-34, 26 U.S.C.,  
24 Section 168, for depreciation of assets placed into service after

1 December 31, 1981, shall not be allowed in calculating Oklahoma  
2 taxable income. Such corporations shall be allowed a deduction for  
3 depreciation of assets placed into service after December 31, 1981,  
4 in accordance with provisions of the Internal Revenue Code, 26  
5 U.S.C., Section 1 et seq., in effect immediately prior to the  
6 enactment of the Accelerated Cost Recovery System. The Oklahoma tax  
7 basis for all such assets placed into service after December 31,  
8 1981, calculated in this section shall be retained and utilized for  
9 all Oklahoma income tax purposes through the final disposition of  
10 such assets.

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

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

24

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

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

21        2. For purposes of this subsection:

22            a. "Qualified small business" means an entity, whether  
23                organized as a corporation, partnership, or  
24                proprietorship, organized for profit with its

principal place of business located within this state  
and which meets the following criteria:

- (1) Capitalization of not more than Two Hundred Fifty  
Thousand Dollars (\$250,000.00),
- (2) Having at least fifty percent (50%) of its  
employees and assets located in Oklahoma at the  
time of the transfer, and
- (3) Not a subsidiary or affiliate of the transferor  
corporation;

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

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

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

D. 1. For taxable years beginning after December 31, 2005, the  
taxable income of any corporation, estate or trust, shall be further  
adjusted for qualifying gains receiving capital treatment. Such  
corporations, estates or trusts shall be allowed a deduction from  
Oklahoma taxable income for the amount of qualifying gains receiving



1 capital treatment earned by the corporation, estate or trust during  
2 the taxable year and included in the federal taxable income of such  
3 corporation, estate or trust.

4 2. As used in this subsection:

5 a. "qualifying gains receiving capital treatment" means  
6 the amount of net capital gains, as defined in Section  
7 1222(11) of the Internal Revenue Code, included in the  
8 federal income tax return of the corporation, estate  
9 or trust that result from:

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

17 (2) the sale of stock or on the sale of an ownership  
18 interest in an Oklahoma company, limited  
19 liability company, or partnership where such  
20 stock or ownership interest has been directly or  
21 indirectly owned by the corporation, estate or  
22 trust for a holding period of at least three (3)  
23 years prior to the date of the transaction from  
24 which the net capital gains arise, or

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

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

18 c. "Oklahoma company", "limited liability company", or  
19 "partnership" means an entity whose primary  
20 headquarters have been located in Oklahoma for at  
21 least three (3) uninterrupted years prior to the date  
22 of the transaction from which the net capital gains  
23 arise,  
24

1           d. "direct" means the taxpayer directly owns the asset,  
2           and

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

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

20          (2) With respect to sales of stock or ownership  
21          interest in or sales of all or substantially all  
22          of the assets of an Oklahoma company, limited  
23          liability company, or partnership, the deduction  
24          described in this subsection shall not apply

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

11 E. The Oklahoma adjusted gross income of any individual  
12 taxpayer shall be further adjusted as follows to arrive at Oklahoma  
13 taxable income:

14 1. a. In the case of individuals, there shall be added or  
15 deducted, as the case may be, the difference necessary  
16 to allow personal exemptions of One Thousand Dollars  
17 (\$1,000.00) in lieu of the personal exemptions allowed  
18 by the Internal Revenue Code.

19 b. There shall be allowed an additional exemption of One  
20 Thousand Dollars (\$1,000.00) for each taxpayer or  
21 spouse who is blind at the close of the tax year. For  
22 purposes of this subparagraph, an individual is blind  
23 only if the central visual acuity of the individual  
24 does not exceed 20/200 in the better eye with

1 correcting lenses, or if the visual acuity of the  
2 individual is greater than 20/200, but is accompanied  
3 by a limitation in the fields of vision such that the  
4 widest diameter of the visual field subtends an angle  
5 no greater than twenty (20) degrees.

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

- 14 (1) Twenty-five Thousand Dollars (\$25,000.00) if  
15 married and filing jointly;
- 16 (2) Twelve Thousand Five Hundred Dollars (\$12,500.00)  
17 if married and filing separately;
- 18 (3) Fifteen Thousand Dollars (\$15,000.00) if single;  
19 and
- 20 (4) Nineteen Thousand Dollars (\$19,000.00) if a  
21 qualifying head of household.

22 Provided, for taxable years beginning after December  
23 31, 1999, amounts included in the calculation of  
24 federal adjusted gross income pursuant to the

1 conversion of a traditional individual retirement  
2 account to a Roth individual retirement account shall  
3 be excluded from federal adjusted gross income for  
4 purposes of the income thresholds provided in this  
5 subparagraph.

6 2. a. For taxable years beginning on or before December 31,  
7 2005, 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, in an amount equal to the larger of  
13 fifteen percent (15%) of the Oklahoma adjusted gross  
14 income or One Thousand Dollars (\$1,000.00), but not to  
15 exceed Two Thousand Dollars (\$2,000.00), except that  
16 in the case of a married individual filing a separate  
17 return such deduction shall be the larger of fifteen  
18 percent (15%) of such Oklahoma adjusted gross income  
19 or Five Hundred Dollars (\$500.00), but not to exceed  
20 the maximum amount of One Thousand Dollars  
21 (\$1,000.00).

22 b. For taxable years beginning on or after January 1,  
23 2006, and before January 1, 2007, in the case of  
24 individuals who use the standard deduction in

1 determining taxable income, there shall be added or  
2 deducted, as the case may be, the difference necessary  
3 to allow a standard deduction in lieu of the standard  
4 deduction allowed by the Internal Revenue Code, in an  
5 amount equal to:

6 (1) Three Thousand Dollars (\$3,000.00), if the filing  
7 status is married filing joint, head of household  
8 or qualifying widow; or

9 (2) Two Thousand Dollars (\$2,000.00), if the filing  
10 status is single or married filing separate.

11 c. For the taxable year beginning on January 1, 2007, and  
12 ending December 31, 2007, in the case of individuals  
13 who use the standard deduction in determining taxable  
14 income, there shall be added or deducted, as the case  
15 may be, the difference necessary to allow a standard  
16 deduction in lieu of the standard deduction allowed by  
17 the Internal Revenue Code, in an amount equal to:

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

21 (2) Four Thousand One Hundred Twenty-five Dollars  
22 (\$4,125.00) for a head of household; or  
23  
24

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

4           d. For the taxable year beginning on January 1, 2008, and  
5           ending December 31, 2008, in the case of individuals  
6           who use the standard deduction in determining taxable  
7           income, there shall be added or deducted, as the case  
8           may be, the difference necessary to allow a standard  
9           deduction in lieu of the standard deduction allowed by  
10          the Internal Revenue Code, in an amount equal to:

11          (1) Six Thousand Five Hundred Dollars (\$6,500.00), if  
12          the filing status is married filing joint or  
13          qualifying widow, or

14          (2) Four Thousand Eight Hundred Seventy-five Dollars  
15          (\$4,875.00) for a head of household, or

16          (3) Three Thousand Two Hundred Fifty Dollars  
17          (\$3,250.00), if the filing status is single or  
18          married filing separate.

19          e. For the taxable year beginning on January 1, 2009, and  
20          ending December 31, 2009, in the case of individuals  
21          who use the standard deduction in determining taxable  
22          income, there shall be added or deducted, as the case  
23          may be, the difference necessary to allow a standard  
24



1 deduction in lieu of the standard deduction allowed by  
2 the Internal Revenue Code, in an amount equal to:

- 3 (1) Eight Thousand Five Hundred Dollars (\$8,500.00),  
4 if the filing status is married filing joint or  
5 qualifying widow, or  
6 (2) Six Thousand Three Hundred Seventy-five Dollars  
7 (\$6,375.00) for a head of household, or  
8 (3) Four Thousand Two Hundred Fifty Dollars  
9 (\$4,250.00), if the filing status is single or  
10 married filing separate.

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

14 f. For taxable years beginning on or after January 1,  
15 2010, and ending on December 31, 2016, in the case of  
16 individuals who use the standard deduction in  
17 determining taxable income, there shall be added or  
18 deducted, as the case may be, the difference necessary  
19 to allow a standard deduction equal to the standard  
20 deduction allowed by the Internal Revenue Code, based  
21 upon the amount and filing status prescribed by such  
22 Code for purposes of filing federal individual income  
23 tax returns.  
24

g. For taxable years beginning on or after January 1, 2017, 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,

(2) Twelve Thousand Seven Hundred Dollars (\$12,700.00) for married filing jointly or qualifying widower with dependent child, and

(3) Nine Thousand Three Hundred Fifty Dollars (\$9,350.00) for head of household.

h. For taxable years beginning on or after January 1, 2024, in the case of individuals who use the standard deduction in determining taxable income for purposes of the federal income tax return for the applicable tax year, and whose Oklahoma itemized deductions are greater than Twenty-one Thousand Five Hundred Dollars (\$21,500.00) for a joint return or greater than Ten Thousand Seven Hundred Fifty Dollars (\$10,750.00) for an individual return or Sixteen Thousand Six Hundred

Fifty Dollars (\$16,650.00) for the return of an individual claiming head of household status, there may be deducted the amount of the itemized deductions that could have been claimed for purposes of the federal income tax return for purposes of the Oklahoma income tax return for the same income tax year. If a taxpayer chooses this option, the taxpayer may not claim the standard deduction for the same tax year; provided that the federal taxable income is less than Forty Thousand Five Hundred Twenty-five Dollars (\$40,525.00) on a single filer return, Fifty-four Thousand Two Hundred Dollars (\$54,200.00) for a filer claiming head of household status, or Eighty-one Thousand Fifty Dollars (\$81,050.00) for a joint return.

3. a. In the case of resident and part-year resident individuals having adjusted gross income from sources both within and without the state, the itemized or standard deductions and personal exemptions shall be reduced to an amount which is the same portion of the total thereof as Oklahoma adjusted gross income is of adjusted gross income. To the extent itemized deductions include allowable moving expense, proration of moving expense shall not be required or permitted

1 but allowable moving expense shall be fully deductible  
2 for those taxpayers moving within or into Oklahoma and  
3 no part of moving expense shall be deductible for  
4 those taxpayers moving without or out of Oklahoma.  
5 All other itemized or standard deductions and personal  
6 exemptions shall be subject to proration as provided  
7 by law.

8 b. For taxable years beginning on or after January 1,  
9 2018, the net amount of itemized deductions allowable  
10 on an Oklahoma income tax return, subject to the  
11 provisions of paragraph 24 of this subsection, shall  
12 not exceed Seventeen Thousand Dollars (\$17,000.00).  
13 For purposes of this subparagraph, charitable  
14 contributions and medical expenses deductible for  
15 federal income tax purposes shall be excluded from the  
16 amount of Seventeen Thousand Dollars (\$17,000.00) as  
17 specified by this subparagraph.

18 4. A resident individual with a physical disability  
19 constituting a substantial handicap to employment may deduct from  
20 Oklahoma adjusted gross income such expenditures to modify a motor  
21 vehicle, home or workplace as are necessary to compensate for his or  
22 her handicap. A veteran certified by the Department of Veterans  
23 Affairs of the federal government as having a service-connected  
24 disability shall be conclusively presumed to be an individual with a

1 physical disability constituting a substantial handicap to  
2 employment. The Tax Commission shall promulgate rules containing a  
3 list of combinations of common disabilities and modifications which  
4 may be presumed to qualify for this deduction. The Tax Commission  
5 shall prescribe necessary requirements for verification.

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

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

18            c.    Whenever the filing of a timely income tax return by a  
19               member of the Armed Forces of the United States is  
20               made impracticable or impossible of accomplishment by  
21               reason of:

22               (1)   absence from the United States, which term  
23                      includes only the states and the District of  
24                      Columbia;

1           (2)   absence from the State of Oklahoma while on  
2           active duty; or

3           (3)   confinement in a hospital within the United  
4           States for treatment of wounds, injuries or  
5           disease,

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

10           (a)   Such individual shall return to the United  
11           States if the extension is granted pursuant  
12           to subparagraph a of this paragraph, return  
13           to the State of Oklahoma if the extension is  
14           granted pursuant to subparagraph b of this  
15           paragraph or be discharged from such  
16           hospital if the extension is granted  
17           pursuant to subparagraph c of this  
18           paragraph; or

19           (b)   An executor, administrator, or conservator  
20           of the estate of the taxpayer is appointed,  
21           whichever event occurs the earliest.

22           Provided, that the Tax Commission may, in its discretion, grant  
23           any member of the Armed Forces of the United States an extension of  
24           time for filing of income tax returns and payment of income tax

1 without incurring liabilities for interest or penalties. Such  
2 extension may be granted only when in the judgment of the Tax  
3 Commission a good cause exists therefor and may be for a period in  
4 excess of six (6) months. A record of every such extension granted,  
5 and the reason therefor, shall be kept.

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

14 7. a. An individual taxpayer, whether resident or  
15 nonresident, may deduct an amount equal to the federal  
16 income taxes paid by the taxpayer during the taxable  
17 year.

18 b. Federal taxes as described in subparagraph a of this  
19 paragraph shall be deductible by any individual  
20 taxpayer, whether resident or nonresident, only to the  
21 extent they relate to income subject to taxation  
22 pursuant to the provisions of the Oklahoma Income Tax  
23 Act. The maximum amount allowable in the preceding  
24 paragraph shall be prorated on the ratio of the

Oklahoma adjusted gross income to federal adjusted gross income.

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



1 the Teachers' Retirement System of Oklahoma, the Oklahoma Law  
2 Enforcement Retirement System, the Oklahoma Firefighters Pension and  
3 Retirement System, the Oklahoma Police Pension and Retirement  
4 System, the employee retirement systems created by counties pursuant  
5 to Section 951 et seq. of Title 19 of the Oklahoma Statutes, the  
6 Uniform Retirement System for Justices and Judges, the Oklahoma  
7 Wildlife Conservation Department Retirement Fund, the Oklahoma  
8 Employment Security Commission Retirement Plan, or the employee  
9 retirement systems created by municipalities pursuant to Section 48-  
10 101 et seq. of Title 11 of the Oklahoma Statutes shall be exempt  
11 from taxable income.

12 9. In taxable years beginning after December 31, 1984, Social  
13 Security benefits received by an individual shall be exempt from  
14 taxable income, to the extent such benefits are included in the  
15 federal adjusted gross income pursuant to the provisions of Section  
16 86 of the Internal Revenue Code, 26 U.S.C., Section 86.

17 10. For taxable years beginning after December 31, 1994, lump-  
18 sum distributions from employer plans of deferred compensation,  
19 which are not qualified plans within the meaning of Section 401(a)  
20 of the Internal Revenue Code, 26 U.S.C., Section 401(a), and which  
21 are deposited in and accounted for within a separate bank account or  
22 brokerage account in a financial institution within this state,  
23 shall be excluded from taxable income in the same manner as a  
24 qualifying rollover contribution to an individual retirement account

1 within the meaning of Section 408 of the Internal Revenue Code, 26  
2 U.S.C., Section 408. Amounts withdrawn from such bank or brokerage  
3 account, including any earnings thereon, shall be included in  
4 taxable income when withdrawn in the same manner as withdrawals from  
5 individual retirement accounts within the meaning of Section 408 of  
6 the Internal Revenue Code.

7 11. In taxable years beginning after December 31, 1995,  
8 contributions made to and interest received from a medical savings  
9 account established pursuant to Sections 2621 through 2623 of Title  
10 63 of the Oklahoma Statutes shall be exempt from taxable income.

11 12. For taxable years beginning after December 31, 1996, the  
12 Oklahoma adjusted gross income of any individual taxpayer who is a  
13 swine or poultry producer may be further adjusted for the deduction  
14 for depreciation allowed for new construction or expansion costs  
15 which may be computed using the same depreciation method elected for  
16 federal income tax purposes except that the useful life shall be  
17 seven (7) years for purposes of this paragraph. If depreciation is  
18 allowed as a deduction in determining the adjusted gross income of  
19 an individual, any depreciation calculated and claimed pursuant to  
20 this section shall in no event be a duplication of any depreciation  
21 allowed or permitted on the federal income tax return of the  
22 individual.

23 13. a. In taxable years beginning before January 1, 2005,  
24 retirement benefits not to exceed the amounts

1 specified in this paragraph, which are received by an  
2 individual sixty-five (65) years of age or older and  
3 whose Oklahoma adjusted gross income is Twenty-five  
4 Thousand Dollars (\$25,000.00) or less if the filing  
5 status is single, head of household, or married filing  
6 separate, or Fifty Thousand Dollars (\$50,000.00) or  
7 less if the filing status is married filing joint or  
8 qualifying widow, shall be exempt from taxable income.  
9 In taxable years beginning after December 31, 2004,  
10 retirement benefits not to exceed the amounts  
11 specified in this paragraph, which are received by an  
12 individual whose Oklahoma adjusted gross income is  
13 less than the qualifying amount specified in this  
14 paragraph, shall be exempt from taxable income.

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

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

- 1 (2) in the taxable year beginning January 1, 2007,  
2 the qualifying amount shall be Fifty Thousand  
3 Dollars (\$50,000.00) or less if the filing status  
4 is single, head of household, or married filing  
5 separate, or One Hundred Thousand Dollars  
6 (\$100,000.00) or less if the filing status is  
7 married filing jointly or qualifying widow,
- 8 (3) in the taxable year beginning January 1, 2008,  
9 the qualifying amount shall be Sixty-two Thousand  
10 Five Hundred Dollars (\$62,500.00) or less if the  
11 filing status is single, head of household, or  
12 married filing separate, or One Hundred Twenty-  
13 five Thousand Dollars (\$125,000.00) or less if  
14 the filing status is married filing jointly or  
15 qualifying widow,
- 16 (4) in the taxable year beginning January 1, 2009,  
17 the qualifying amount shall be One Hundred  
18 Thousand Dollars (\$100,000.00) or less if the  
19 filing status is single, head of household, or  
20 married filing separate, or Two Hundred Thousand  
21 Dollars (\$200,000.00) or less if the filing  
22 status is married filing jointly or qualifying  
23 widow, and  
24

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

4           c. For purposes of this paragraph, "retirement benefits"  
5           means the total distributions or withdrawals from the  
6           following:

7           (1) an employee pension benefit plan which satisfies  
8           the requirements of Section 401 of the Internal  
9           Revenue Code, 26 U.S.C., Section 401,

10          (2) an eligible deferred compensation plan that  
11          satisfies the requirements of Section 457 of the  
12          Internal Revenue Code, 26 U.S.C., Section 457,

13          (3) an individual retirement account, annuity or  
14          trust or simplified employee pension that  
15          satisfies the requirements of Section 408 of the  
16          Internal Revenue Code, 26 U.S.C., Section 408,

17          (4) an employee annuity subject to the provisions of  
18          Section 403(a) or (b) of the Internal Revenue  
19          Code, 26 U.S.C., Section 403(a) or (b),

20          (5) United States Retirement Bonds which satisfy the  
21          requirements of Section 86 of the Internal  
22          Revenue Code, 26 U.S.C., Section 86, or

23          (6) lump-sum distributions from a retirement plan  
24          which satisfies the requirements of Section

1                   402(e) of the Internal Revenue Code, 26 U.S.C.,  
2                   Section 402(e).

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

18           14. In taxable years beginning after December 31, 1999, for an  
19           individual engaged in production agriculture who has filed a  
20           Schedule F form with the taxpayer's federal income tax return for  
21           such taxable year, there shall be excluded from taxable income any  
22           amount which was included as federal taxable income or federal  
23           adjusted gross income and which consists of the discharge of an  
24

1 obligation by a creditor of the taxpayer incurred to finance the  
2 production of agricultural products.

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

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

17 b. In taxable years beginning after December 31, 2004,  
18 each taxpayer shall be allowed a deduction for  
19 contributions to accounts established pursuant to the  
20 Oklahoma College Savings Plan Act. The maximum annual  
21 deduction shall equal the amount of contributions to  
22 all such accounts plus any contributions to such  
23 accounts by the taxpayer for prior taxable years after  
24 December 31, 2004, which were not deducted, but in no

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

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

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



1 by the amount which is equal to the rollover or  
2 nonqualified withdrawal, and

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

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

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

24 f. As used in this paragraph:

- 1           (1) "non-qualified withdrawal" means a withdrawal  
2           from an Oklahoma College Savings Plan account  
3           other than one of the following:
- 4           (a) a qualified withdrawal,  
5           (b) a withdrawal made as a result of the death  
6           or disability of the designated beneficiary  
7           of an account,  
8           (c) a withdrawal that is made on the account of  
9           a scholarship or the allowance or payment  
10          described in Section 135(d)(1)(B) or (C) or  
11          by the Internal Revenue Code, received by  
12          the designated beneficiary to the extent the  
13          amount of the refund does not exceed the  
14          amount of the scholarship, allowance, or  
15          payment, or  
16          (d) a rollover or change of designated  
17          beneficiary as permitted by subsection F of  
18          Section 3970.7 of Title 70 of Oklahoma  
19          Statutes, and
- 20          (2) "rollover" means the transfer of funds from the  
21          Oklahoma College Savings Plan to any other plan  
22          under Section 529 of the Internal Revenue Code.

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

1 the Armed Forces of the United States in an amount not to exceed the  
2 greater of seventy-five percent (75%) of such benefits or Ten  
3 Thousand Dollars (\$10,000.00) shall be exempt from taxable income  
4 but in no case less than the amount of the exemption provided by  
5 paragraph 13 of this subsection.

6 18. 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       19. 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       20. 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 21. 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 22. 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 23. 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 24. 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  
24

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

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

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

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

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

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

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

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

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

7 SECTION 2. This act shall become effective January 1, 2024.  
8

9 COMMITTEE REPORT BY: COMMITTEE ON APPROPRIATIONS AND BUDGET, dated  
10 03/02/2023 - DO PASS, As Amended and Coauthored.  
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