

STATE OF OKLAHOMA

2nd Session of the 59th Legislature (2024)

SENATE BILL 1298

By: Rader

AS INTRODUCED

An Act relating to income tax; amending 68 O.S. 2021, Section 2355, as last amended by Section 1, Chapter 27, 1st Extraordinary Session, O.S.L. 2023 (68 O.S. Supp. 2023, Section 2355), which relates to tax imposed on classes of taxpayers; modifying income tax rate for certain tax years; amending 68 O.S. 2021, Section 2358, as last amended by Section 1, Chapter 377, O.S.L. 2022 (68 O.S. Supp. 2023, Section 2358), which relates to adjustments; limiting certain personal exemption to certain tax years; modifying amount of standard deduction for certain tax years; updating statutory references; updating statutory language; providing an effective date; and declaring an emergency.

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

SECTION 1. AMENDATORY 68 O.S. 2021, Section 2355, as last amended by Section 1, Chapter 27, 1st Extraordinary Session, O.S.L. 2023 (68 O.S. Supp. 2023, Section 2355), is amended to read as follows:

Section 2355. A. Individuals. For all taxable years beginning after December 31, 1998, and before January 1, 2006, a tax is hereby imposed upon the Oklahoma taxable income of every resident or

1 nonresident individual, which tax shall be computed at the option of
2 the taxpayer under one of the two following methods:

3 1. METHOD 1.

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

6 (1) 1/2% tax on first \$1,000.00 or part thereof,

7 (2) 1% tax on next \$1,500.00 or part thereof,

8 (3) 2% tax on next \$1,250.00 or part thereof,

9 (4) 3% tax on next \$1,150.00 or part thereof,

10 (5) 4% tax on next \$1,300.00 or part thereof,

11 (6) 5% tax on next \$1,500.00 or part thereof,

12 (7) 6% tax on next \$2,300.00 or part thereof, and

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

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

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

21 b. Married individuals filing jointly and surviving
22 spouse to the extent and in the manner that a
23 surviving spouse is permitted to file a joint return
24 under the provisions of the Internal Revenue Code and
25

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.

1 B. Individuals. For all taxable years beginning on or after
2 January 1, 2008, and ending any tax year which begins after December
3 31, 2015, for which the determination required pursuant to Sections
4 2355.1F and Section 2355.1G of this ~~act~~ title is made by the
5 State Board of Equalization, a tax is hereby imposed upon the
6 Oklahoma taxable income of every resident or nonresident individual,
7 which tax shall be computed as follows:

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

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

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

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

- 8 (a) 1/2% tax on first \$2,000.00 or part thereof,
- 9 (b) 1% tax on next \$3,000.00 or part thereof,
- 10 (c) 2% tax on next \$2,500.00 or part thereof,
- 11 (d) 3% tax on next \$2,300.00 or part thereof,
- 12 (e) 4% tax on next \$2,400.00 or part thereof,
- 13 (f) 5% tax on next \$2,800.00 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.

1 C. Individuals. For all taxable years beginning on or after
2 January 1, 2024, a tax is hereby imposed upon the Oklahoma taxable
3 income of every resident or nonresident individual, which tax shall
4 be ~~computed as follows:~~

5 ~~1. Single individuals and married individuals filing~~
6 ~~separately:~~

7 ~~(a) 0.25% tax on first \$1,000.00 or part thereof,~~

8 ~~(b) 0.75% tax on next \$1,500.00 or part thereof,~~

9 ~~(c) 1.75% tax on next \$1,250.00 or part thereof,~~

10 ~~(d) 2.75% tax on next \$1,150.00 or part thereof,~~

11 ~~(e) 3.75% tax on next \$2,300.00 or part thereof,~~

12 ~~(f) 4.75% tax on the remainder.~~

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

18 ~~(a) 0.25% tax on first \$2,000.00 or part thereof,~~

19 ~~(b) 0.75% tax on next \$3,000.00 or part thereof,~~

20 ~~(c) 1.75% tax on next \$2,500.00 or part thereof,~~

21 ~~(d) 2.75% tax on next \$2,300.00 or part thereof,~~

22 ~~(e) 3.75% tax on next \$4,600.00 or part thereof,~~

23 ~~(f) 4.75% tax on the remainder four and fifty hundredths~~
24 ~~percent (4.50%).~~

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

3 D. Nonresident aliens. In lieu of the rates set forth in
4 subsection A above, there shall be imposed on nonresident aliens, as
5 defined in the Internal Revenue Code, a tax of eight percent (8%)
6 instead of thirty percent (30%) as used in the Internal Revenue
7 Code, with respect to the Oklahoma taxable income of such
8 nonresident aliens as determined under the provision of the Oklahoma
9 Income Tax Act.

10 Every payer of amounts covered by this subsection shall deduct
11 and withhold from such amounts paid each payee an amount equal to
12 eight percent (8%) thereof. Every payer required to deduct and
13 withhold taxes under this subsection shall for each quarterly period
14 on or before the last day of the month following the close of each
15 such quarterly period, pay over the amount so withheld as taxes to
16 the Oklahoma Tax Commission, and shall file a return with each such
17 payment. Such return shall be in such form as the Tax Commission
18 shall prescribe. Every payer required under this subsection to
19 deduct and withhold a tax from a payee shall, as to the total
20 amounts paid to each payee during the calendar year, furnish to such
21 payee, on or before January 31~~7~~ of the succeeding year, a written
22 statement showing the name of the payer, the name of the payee and
23 the payee's Social Security account number, if any, the total amount
24 paid subject to taxation, and the total amount deducted and withheld

1 as tax and such other information as the Tax Commission may require.
2 Any payer who fails to withhold or pay to the Tax Commission any
3 sums herein required to be withheld or paid shall be personally and
4 individually liable therefor to ~~the State of Oklahoma~~ this state.

5 E. Corporations. For all taxable years beginning after
6 December 31, 2021, a tax is hereby imposed upon the Oklahoma taxable
7 income of every corporation doing business within this state or
8 deriving income from sources within this state in an amount equal to
9 four percent (4%) thereof.

10 There shall be no additional Oklahoma income tax imposed on
11 accumulated taxable income or on undistributed personal holding
12 company income as those terms are defined in the Internal Revenue
13 Code.

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

22 Every payer of amounts covered by this subsection shall deduct
23 and withhold from such amounts paid each payee an amount equal to
24 four percent (4%) thereof. Every payer required to deduct and

1 withhold taxes under this subsection shall for each quarterly period
2 on or before the last day of the month following the close of each
3 such quarterly period, pay over the amount so withheld as taxes to
4 the Tax Commission, and shall file a return with each such payment.
5 Such return shall be in such form as the Tax Commission shall
6 prescribe. Every payer required under this subsection to deduct and
7 withhold a tax from a payee shall, as to the total amounts paid to
8 each payee during the calendar year, furnish to such payee, on or
9 before January 31⁷ of the succeeding year, a written statement
10 showing the name of the payer, the name of the payee and the payee's
11 Social Security account number, if any, the total amounts paid
12 subject to taxation, the total amount deducted and withheld as tax
13 and such other information as the Tax Commission may require. Any
14 payer who fails to withhold or pay to the Tax Commission any sums
15 herein required to be withheld or paid shall be personally and
16 individually liable therefor to the State of Oklahoma.

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

22 H. Tax rate tables. For all taxable years beginning after
23 December 31, 1991, in lieu of the tax imposed by subsection A, B or
24 C of this section, as applicable there is hereby imposed for each
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1 taxable year on the taxable income of every individual, whose
2 taxable income for such taxable year does not exceed the ceiling
3 amount, a tax determined under tables, applicable to such taxable
4 year which shall be prescribed by the Tax Commission and which shall
5 be in such form as it determines appropriate. In the table so
6 prescribed, the amounts of the tax shall be computed on the basis of
7 the rates prescribed by subsection A, B or C of this section. For
8 purposes of this subsection, the term "ceiling amount" means, with
9 respect to any taxpayer, the amount determined by the Tax Commission
10 for the tax rate category in which such taxpayer falls.

11 SECTION 2. AMENDATORY 68 O.S. 2021, Section 2358, as
12 last amended by Section 1, Chapter 377, O.S.L. 2022 (68 O.S. Supp.
13 2023, Section 2358), is amended to read as follows:

14 Section 2358. For all tax years beginning after December 31,
15 1981, taxable income and adjusted gross income shall be adjusted to
16 arrive at Oklahoma taxable income and Oklahoma adjusted gross income
17 as required by this section.

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

21 1. There shall be added interest income on obligations of any
22 state or political subdivision thereto which is not otherwise
23 exempted pursuant to other laws of this state, to the extent that
24

1 such interest is not included in taxable income and adjusted gross
2 income.

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

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

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

18 b. For carryovers and carrybacks to taxable years
19 beginning after December 31, 1980, the amount of any
20 net operating loss deduction allowed for the taxable
21 year shall be an amount equal to the aggregate of the
22 Oklahoma net operating loss carryovers and carrybacks
23 to such year. Oklahoma net operating losses shall be
24 separately determined by reference to Section 172 of

1 the Internal Revenue Code, 26 U.S.C., Section 172, as
2 modified by the Oklahoma Income Tax Act, Section 2351
3 et seq. of this title, and shall be allowed without
4 regard to the existence of a federal net operating
5 loss. For tax years beginning after December 31,
6 2000, and ending before January 1, 2008, the years to
7 which such losses may be carried shall be determined
8 solely by reference to Section 172 of the Internal
9 Revenue Code, 26 U.S.C., Section 172, with the
10 exception that the terms "net operating loss" and
11 "taxable income" shall be replaced with "Oklahoma net
12 operating loss" and "Oklahoma taxable income". For
13 tax years beginning after December 31, 2007, and
14 ending before January 1, 2009, years to which such
15 losses may be carried back shall be limited to two (2)
16 years. For tax years beginning after December 31,
17 2008, the years to which such losses may be carried
18 back shall be determined solely by reference to
19 Section 172 of the Internal Revenue Code, 26 U.S.C.,
20 Section 172, with the exception that the terms "net
21 operating loss" and "taxable income" shall be replaced
22 with "Oklahoma net operating loss" and "Oklahoma
23 taxable income".
24

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

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

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

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

1 separate commercial or business situs insofar as
2 undistributed income is concerned, but shall not
3 be treated as having a separate commercial or
4 business situs insofar as distributed income is
5 concerned,

- 6 (2) for taxable years beginning after December 31,
7 2003, capital or ordinary gains or losses from
8 the sale of an ownership interest in a publicly
9 traded partnership, as defined by Section 7704(b)
10 of the Internal Revenue Code, shall be allocated
11 to this state in the ratio of the original cost
12 of such partnership's tangible property in this
13 state to the original cost of such partnership's
14 tangible property everywhere, as determined at
15 the time of the sale; if more than fifty percent
16 (50%) of the value of the partnership's assets
17 consists of intangible assets, capital or
18 ordinary gains or losses from the sale of an
19 ownership interest in the partnership shall be
20 allocated to this state in accordance with the
21 sales factor of the partnership for its first
22 full tax period immediately preceding its tax
23 period during which the ownership interest in the
24 partnership was sold; the provisions of this

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

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

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

16 d. In the case of a manufacturing or processing
17 enterprise the business of which in ~~Oklahoma~~ this
18 state consists solely of marketing its products by:

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

23 (2) sales of the product stored in public warehouses
24 within the state pursuant to "in transit"

tariffs, as prescribed and allowed by the
Interstate Commerce Commission, to a purchaser
within the state,

(3) sales of the product stored in public warehouses
within the state where the shipment to such
warehouses is not covered by "in transit"
tariffs, as prescribed and allowed by the
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 (1) except as otherwise provided by division (2) of
2 this subparagraph, taxable income of an insurance
3 company for a taxable year shall be apportioned
4 to this state by multiplying such income by a
5 fraction, the numerator of which is the direct
6 premiums written for insurance on property or
7 risks in this state, and the denominator of which
8 is the direct premiums written for insurance on
9 property or risks everywhere. For purposes of
10 this subsection, the term "direct premiums
11 written" means the total amount of direct
12 premiums written, assessments and annuity
13 considerations as reported for the taxable year
14 on the annual statement filed by the company with
15 the Insurance Commissioner in the form approved
16 by the National Association of Insurance
17 Commissioners, or such other form as may be
18 prescribed in lieu thereof,

19 (2) if the principal source of premiums written by an
20 insurance company consists of premiums for
21 reinsurance accepted by it, the taxable income of
22 such company shall be apportioned to this state
23 by multiplying such income by a fraction, the
24 numerator of which is the sum of (a) direct

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

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

1 percent (50%) of the apportionment factor. The apportionment
2 factors shall be computed as follows:

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

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

23 (2) Property owned by the taxpayer is valued at its
24 original cost. Property rented by the taxpayer
25

1 is valued at eight times the net annual rental
2 rate. Net annual rental rate is the annual
3 rental rate paid by the taxpayer, less any annual
4 rental rate received by the taxpayer from
5 subrentals,

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

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

22 (1) In the case of a transportation enterprise, the
23 numerator of the fraction shall include a portion
24 of such expenditure in connection with employees

1 operating equipment over a fixed route, such as
2 railroad employees, airline pilots, or bus
3 drivers, in this state only a part of the time,
4 in the proportion that mileage traveled in
5 ~~Oklahoma~~ this state bears to total mileage
6 traveled by such employees,

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

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

22 (1) Sales of tangible personal property have a situs
23 in this state if the property is delivered or
24 shipped to a purchaser other than the United

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

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

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

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

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

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

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

1 this state must not be inherently arbitrary, and application of the
2 recomputed final apportionment to the net income of the enterprise
3 must attribute to ~~Oklahoma~~ this state only a reasonable portion
4 thereof.

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

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

6 For purposes of this paragraph:

- 7 a. "Agricultural commodity processing facility" means
8 ~~building~~ buildings, structures, fixtures and
9 improvements used or operated primarily for the
10 processing or production of marketable products from
11 agricultural commodities. The term shall also mean a
12 dairy operation that requires a depreciable investment
13 of at least Two Hundred Fifty Thousand Dollars
14 (\$250,000.00) and which produces milk from dairy cows.
15 The term does not include a facility that provides
16 only, and nothing more than, storage, cleaning, drying
17 or transportation of agricultural commodities, and
- 18 b. "Facility" means each part of the facility which is
19 used in a process primarily for:
- 20 (1) the processing of agricultural commodities,
21 including receiving or storing agricultural
22 commodities, or the production of milk at a dairy
23 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~~ the Accelerated Cost Recovery
18 System was previously disallowed, an adjustment to taxable income is
19 required in the first taxable year beginning after December 31,
20 1982, to reconcile the basis of such assets to the basis allowed in
21 the Internal Revenue Code. The purpose of this adjustment is to
22 equalize the basis and allowance for depreciation accounts between
23 that reported to the Internal Revenue Service and that reported to
24 ~~Oklahoma~~ this state.

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~~ this state. Such
11 transferor corporation shall be allowed an exemption from taxable
12 income of an amount equal to the amount of royalty payment received
13 as a result of such transfer; provided, however, such amount shall
14 not exceed ten percent (10%) of the amount of gross proceeds
15 received by such transferor corporation as a result of the
16 technology transfer. Such exemption shall be allowed for a period
17 not to exceed ten (10) years from the date of receipt of the first
18 royalty payment accruing from such transfer. No exemption may be
19 claimed for transfers of technology to qualified small businesses
20 made prior to January 1, 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
25

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~~ this state 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~~ this state that
12 has been directly or indirectly owned by the
13 corporation, estate or trust for a holding period
14 of at least five (5) years prior to the date of
15 the 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~~ this state as part of the sale of
4 all or substantially all of the assets of an
5 Oklahoma 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~~ this state
21 for at least three (3) uninterrupted years prior to
22 the date of the transaction from which the net capital
23 gains arise,

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~~ this state, the deduction described in
10 this 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~~ For tax year 2023 and preceding tax years, in the
15 case of individuals, there shall be added or deducted,
16 as the case may be, the difference necessary to allow
17 personal exemptions of One Thousand Dollars
18 (\$1,000.00) in lieu of the personal exemptions allowed
19 by the Internal Revenue Code.

20 b. ~~There~~ For tax year 2023 and preceding tax years, there
21 shall be allowed an additional exemption of One
22 Thousand Dollars (\$1,000.00) for each taxpayer or
23 spouse who is blind at the close of the tax year. For
24 purposes of this subparagraph, an individual is blind
25

1 only if the central visual acuity of the individual
2 does not exceed 20/200 in the better eye with
3 correcting lenses, or if the visual acuity of the
4 individual is greater than 20/200, but is accompanied
5 by a limitation in the fields of vision such that the
6 widest diameter of the visual field subtends an angle
7 no greater than twenty (20) degrees.

- 8 c. ~~There~~ For tax years 1988 through 2023, there shall be
9 allowed an additional exemption of One Thousand
10 Dollars (\$1,000.00) for each taxpayer or spouse who is
11 sixty-five (65) years of age or older at the close of
12 the tax year based upon the filing status and federal
13 adjusted gross income of the taxpayer. Taxpayers with
14 the following filing status may claim this exemption
15 if the federal adjusted gross income does not exceed:
16 (1) Twenty-five Thousand Dollars (\$25,000.00) if
17 married and filing jointly;
18 (2) Twelve Thousand Five Hundred Dollars (\$12,500.00)
19 if married and filing separately;
20 (3) Fifteen Thousand Dollars (\$15,000.00) if single;
21 and
22 (4) Nineteen Thousand Dollars (\$19,000.00) if a
23 qualifying head of household.

1 Provided, for taxable years beginning after December
2 31, 1999, amounts included in the calculation of
3 federal adjusted gross income pursuant to the
4 conversion of a traditional individual retirement
5 account to a Roth individual retirement account shall
6 be excluded from federal adjusted gross income for
7 purposes of the income thresholds provided in this
8 subparagraph.

- 9 2. a. For taxable years beginning on or before December 31,
10 2005, in the case of individuals who use the standard
11 deduction in determining taxable income, there shall
12 be added or deducted, as the case may be, the
13 difference necessary to allow a standard deduction in
14 lieu of the standard deduction allowed by the Internal
15 Revenue Code, in an amount equal to the larger of
16 fifteen percent (15%) of the Oklahoma adjusted gross
17 income or One Thousand Dollars (\$1,000.00), but not to
18 exceed Two Thousand Dollars (\$2,000.00), except that
19 in the case of a married individual filing a separate
20 return such deduction shall be the larger of fifteen
21 percent (15%) of such Oklahoma adjusted gross income
22 or Five Hundred Dollars (\$500.00), but not to exceed
23 the maximum amount of One Thousand Dollars
24 (\$1,000.00).

1 b. For taxable years beginning on or after January 1,
2 2006, and before January 1, 2007, in the case of
3 individuals who use the standard deduction in
4 determining taxable income, there shall be added or
5 deducted, as the case may be, the difference necessary
6 to allow a standard deduction in lieu of the standard
7 deduction allowed by the Internal Revenue Code, in an
8 amount equal to:

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

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

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

21 (1) Five Thousand Five Hundred Dollars (\$5,500.00),
22 if the filing status is married filing joint or
23 qualifying widow; or

- 1 (2) Four Thousand One Hundred Twenty-five Dollars
2 (\$4,125.00) for a head of household; or
3 (3) Two Thousand Seven Hundred Fifty Dollars
4 (\$2,750.00), if the filing status is single or
5 married filing separate.

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

- 13 (1) Six Thousand Five Hundred Dollars (\$6,500.00), if
14 the filing status is married filing joint or
15 qualifying widow, or
16 (2) Four Thousand Eight Hundred Seventy-five Dollars
17 (\$4,875.00) for a head of household, or
18 (3) Three Thousand Two Hundred Fifty Dollars
19 (\$3,250.00), if the filing status is single or
20 married filing separate.

21 e. For the taxable year beginning on January 1, 2009, and
22 ending December 31, 2009, in the case of individuals
23 who use the standard deduction in determining taxable
24 income, there shall be added or deducted, as the case
25

1 may be, the difference necessary to allow a standard
2 deduction in lieu of the standard deduction allowed by
3 the Internal Revenue Code, in an amount equal to:

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

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

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

1 g. For ~~taxable years beginning on or after January 1,~~
2 2017 tax years 2017 through 2023, in the case of
3 individuals who use the standard deduction in
4 determining taxable income, there shall be added or
5 deducted, as the case may be, the difference necessary
6 to allow a standard deduction in lieu of the standard
7 deduction allowed by the Internal Revenue Code, as
8 follows:

9 (1) Six Thousand Three Hundred Fifty Dollars
10 (\$6,350.00) for single or married filing
11 separately,

12 (2) Twelve Thousand Seven Hundred Dollars
13 (\$12,700.00) for married filing jointly or
14 qualifying widower with dependent child, and

15 (3) Nine Thousand Three Hundred Fifty Dollars
16 (\$9,350.00) for head of household.

17 h. For tax year 2024 and subsequent tax years, in the
18 case of individuals who use the standard deduction in
19 determining taxable income, there shall be added or
20 deducted, as the case may be, the difference necessary
21 to allow a standard deduction in lieu of the standard
22 deduction allowed by the Internal Revenue Code, as
23 follows:

1 (1) Thirteen Thousand Five Hundred Fifty Dollars
2 (\$13,550.00) for single or married filing
3 separately,

4 (2) Twenty-four Thousand Nine Hundred Dollars
5 (\$24,900.00) for married filing jointly or
6 qualifying widower with dependent child, and

7 (3) Nineteen Thousand Two Hundred Twenty-five Dollars
8 (\$19,225.00) for head of household.

9 3. a. In the case of resident and part-year resident
10 individuals having adjusted gross income from sources
11 both within and without the state, the itemized or
12 standard deductions and personal exemptions shall be
13 reduced to an amount which is the same portion of the
14 total thereof as Oklahoma adjusted gross income is of
15 adjusted gross income. To the extent itemized
16 deductions include allowable moving expense, proration
17 of moving expense shall not be required or permitted
18 but allowable moving expense shall be fully deductible
19 for those taxpayers moving within or into ~~Oklahoma~~
20 this state and no part of moving expense shall be
21 deductible for those taxpayers moving without or out
22 of ~~Oklahoma~~ this state. All other itemized or
23 standard deductions and personal exemptions shall be
24 subject to proration as provided by law.

1 b. For taxable years beginning on or after January 1,
2 2018, the net amount of itemized deductions allowable
3 on an Oklahoma income tax return, subject to the
4 provisions of paragraph 24 of this subsection, shall
5 not exceed Seventeen Thousand Dollars (\$17,000.00).
6 For purposes of this subparagraph, charitable
7 contributions and medical expenses deductible for
8 federal income tax purposes shall be excluded from the
9 amount of Seventeen Thousand Dollars (\$17,000.00) as
10 specified by this subparagraph.

11 4. A resident individual with a physical disability
12 constituting a substantial handicap to employment may deduct from
13 Oklahoma adjusted gross income such expenditures to modify a motor
14 vehicle, home or workplace as are necessary to compensate for his or
15 her handicap. A veteran certified by the Department of Veterans
16 Affairs of the federal government as having a service-connected
17 disability shall be conclusively presumed to be an individual with a
18 physical disability constituting a substantial handicap to
19 employment. The Tax Commission shall promulgate rules containing a
20 list of combinations of common disabilities and modifications which
21 may be presumed to qualify for this deduction. The Tax Commission
22 shall prescribe necessary requirements for verification.

23 5. a. Before July 1, 2010, the first One Thousand Five
24 Hundred Dollars (\$1,500.00) received by any person

1 from the United States as salary or compensation in
2 any form, other than retirement benefits, as a member
3 of any component of the Armed Forces of the United
4 States shall be deducted from taxable income.

5 b. On or after July 1, 2010, one hundred percent (100%)
6 of the income received by any person from the United
7 States as salary or compensation in any form, other
8 than retirement benefits, as a member of any component
9 of the Armed Forces of the United States shall be
10 deducted from taxable income.

11 c. Whenever the filing of a timely income tax return by a
12 member of the Armed Forces of the United States is
13 made impracticable or impossible of accomplishment by
14 reason of:

15 (1) absence from the United States, which term
16 includes only the states and the District of
17 Columbia;

18 (2) absence from ~~the State of Oklahoma~~ this state
19 while on active duty; or

20 (3) confinement in a hospital within the United
21 States for treatment of wounds, injuries or
22 disease,

23 the time for filing a return and paying an income tax
24 shall be and is hereby extended without incurring
25

1 liability for interest or penalties, to the fifteenth
2 day of the third month following the month in which:

3 (a) Such individual shall return to the United
4 States if the extension is granted pursuant
5 to subparagraph a of this paragraph, return
6 to ~~the State of Oklahoma~~ this state if the
7 extension is granted pursuant to
8 subparagraph b of this paragraph or be
9 discharged from such hospital if the
10 extension is granted pursuant to
11 subparagraph c of this paragraph; or

12 (b) An executor, administrator, or conservator
13 of the estate of the taxpayer is appointed,
14 whichever event occurs the earliest.

15 Provided, that the Tax Commission may, in its discretion, grant
16 any member of the Armed Forces of the United States an extension of
17 time for filing of income tax returns and payment of income tax
18 without incurring liabilities for interest or penalties. Such
19 extension may be granted only when in the judgment of the Tax
20 Commission a good cause exists therefor and may be for a period in
21 excess of six (6) months. A record of every such extension granted,
22 and the reason therefor, shall be kept.

23 6. Before July 1, 2010, the salary or any other form of
24 compensation, received from the United States by a member of any

1 component of the Armed Forces of the United States, shall be
2 deducted from taxable income during the time in which the person is
3 detained by the enemy in a conflict, is a prisoner of war or is
4 missing in action and not deceased; provided, after July 1, 2010,
5 all such salary or compensation shall be subject to the deduction as
6 provided pursuant to paragraph 5 of this subsection.

7 7. a. An individual taxpayer, whether resident or
8 nonresident, may deduct an amount equal to the federal
9 income taxes paid by the taxpayer during the taxable
10 year.

11 b. Federal taxes as described in subparagraph a of this
12 paragraph shall be deductible by any individual
13 taxpayer, whether resident or nonresident, only to the
14 extent they relate to income subject to taxation
15 pursuant to the provisions of the Oklahoma Income Tax
16 Act. The maximum amount allowable in the preceding
17 paragraph shall be prorated on the ratio of the
18 Oklahoma adjusted gross income to federal adjusted
19 gross income.

20 c. For the purpose of this paragraph, "federal income
21 taxes paid" shall mean federal income taxes, surtaxes
22 imposed on incomes or excess profits taxes, as though
23 the taxpayer was on the accrual basis. In determining
24 the amount of deduction for federal income taxes for
25

1 tax year 2001, the amount of the deduction shall not
2 be adjusted by the amount of any accelerated ten
3 percent (10%) tax rate bracket credit or advanced
4 refund of the credit received during the tax year
5 provided pursuant to the federal Economic Growth and
6 Tax Relief Reconciliation Act of 2001, P.L. No. 107-
7 16, and the advanced refund of such credit shall not
8 be subject to taxation.

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

12 8. Retirement benefits not to exceed Five Thousand Five Hundred
13 Dollars (\$5,500.00) for the 2004 tax year, Seven Thousand Five
14 Hundred Dollars (\$7,500.00) for the 2005 tax year and Ten Thousand
15 Dollars (\$10,000.00) for the 2006 tax year and all subsequent tax
16 years, which are received by an individual from the civil service of
17 the United States, the Oklahoma Public Employees Retirement System,
18 the Teachers' Retirement System of Oklahoma, the Oklahoma Law
19 Enforcement Retirement System, the Oklahoma Firefighters Pension and
20 Retirement System, the Oklahoma Police Pension and Retirement
21 System, the employee retirement systems created by counties pursuant
22 to Section 951 et seq. of Title 19 of the Oklahoma Statutes, the
23 Uniform Retirement System for Justices and Judges, the Oklahoma
24 Wildlife Conservation Department Retirement Fund, the Oklahoma

1 Employment Security Commission Retirement Plan, or the employee
2 retirement systems created by municipalities pursuant to Section 48-
3 101 et seq. of Title 11 of the Oklahoma Statutes shall be exempt
4 from taxable income.

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

10 10. For taxable years beginning after December 31, 1994, lump-
11 sum distributions from employer plans of deferred compensation,
12 which are not qualified plans within the meaning of Section 401(a)
13 of the Internal Revenue Code, 26 U.S.C., Section 401(a), and which
14 are deposited in and accounted for within a separate bank account or
15 brokerage account in a financial institution within this state,
16 shall be excluded from taxable income in the same manner as a
17 qualifying rollover contribution to an individual retirement account
18 within the meaning of Section 408 of the Internal Revenue Code, 26
19 U.S.C., Section 408. Amounts withdrawn from such bank or brokerage
20 account, including any earnings thereon, shall be included in
21 taxable income when withdrawn in the same manner as withdrawals from
22 individual retirement accounts within the meaning of Section 408 of
23 the Internal Revenue Code.

1 11. In taxable years beginning after December 31, 1995,
2 contributions made to and interest received from a medical savings
3 account established pursuant to Sections 2621 through 2623 of Title
4 63 of the Oklahoma Statutes shall be exempt from taxable income.

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

17 13. a. In taxable years beginning after December 31, 2002,
18 nonrecurring adoption expenses paid by a resident
19 individual taxpayer in connection with:

20 (1) the adoption of a minor, or

21 (2) a proposed adoption of a minor which did not
22 result in a decreed adoption,

23 may be deducted from the Oklahoma adjusted gross
24 income.
25

- 1 b. The deductions for adoptions and proposed adoptions
2 authorized by this paragraph shall not exceed Twenty
3 Thousand Dollars (\$20,000.00) per calendar year.
- 4 c. The Tax Commission shall promulgate rules to implement
5 the provisions of this paragraph which shall contain a
6 specific list of nonrecurring adoption expenses which
7 may be presumed to qualify for the deduction. The Tax
8 Commission shall prescribe necessary requirements for
9 verification.
- 10 d. "Nonrecurring adoption expenses" means adoption fees,
11 court costs, medical expenses, attorney fees and
12 expenses which are directly related to the legal
13 process of adoption of a child including, but not
14 limited to, costs relating to the adoption study,
15 health and psychological examinations, transportation
16 and reasonable costs of lodging and food for the child
17 or adoptive parents which are incurred to complete the
18 adoption process and are not reimbursed by other
19 sources. The term ~~"nonrecurring adoption expenses"~~
20 nonrecurring adoption expenses shall not include
21 attorney fees incurred for the purpose of litigating a
22 contested adoption, from and after the point of the
23 initiation of the contest, costs associated with
24 physical remodeling, renovation and alteration of the

1 adoptive parents' home or property, except for a
2 special needs child as authorized by the court.

3 14. a. In taxable years beginning before January 1, 2005,
4 retirement benefits not to exceed the amounts
5 specified in this paragraph, which are received by an
6 individual sixty-five (65) years of age or older and
7 whose Oklahoma adjusted gross income is Twenty-five
8 Thousand Dollars (\$25,000.00) or less if the filing
9 status is single, head of household, or married filing
10 separate, or Fifty Thousand Dollars (\$50,000.00) or
11 less if the filing status is married filing joint or
12 qualifying widow, shall be exempt from taxable income.
13 In taxable years beginning after December 31, 2004,
14 retirement benefits not to exceed the amounts
15 specified in this paragraph, which are received by an
16 individual whose Oklahoma adjusted gross income is
17 less than the qualifying amount specified in this
18 paragraph, shall be exempt from taxable income.

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

21 (1) in taxable years beginning after December 31,
22 2004, and prior to January 1, 2007, the
23 qualifying amount shall be Thirty-seven Thousand
24 Five Hundred Dollars (\$37,500.00) or less if the
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- 1 filing status is single, head of household, or
2 married filing separate, or Seventy-five Thousand
3 Dollars (\$75,000.00) or less if the filing status
4 is married filing jointly or qualifying widow,
5 (2) in the taxable year beginning January 1, 2007,
6 the qualifying amount shall be Fifty Thousand
7 Dollars (\$50,000.00) or less if the filing status
8 is single, head of household, or married filing
9 separate, or One Hundred Thousand Dollars
10 (\$100,000.00) or less if the filing status is
11 married filing jointly or qualifying widow,
12 (3) in the taxable year beginning January 1, 2008,
13 the qualifying amount shall be Sixty-two Thousand
14 Five Hundred Dollars (\$62,500.00) or less if the
15 filing status is single, head of household, or
16 married filing separate, or One Hundred Twenty-
17 five Thousand Dollars (\$125,000.00) or less if
18 the filing status is married filing jointly or
19 qualifying widow,
20 (4) in the taxable year beginning January 1, 2009,
21 the qualifying amount shall be One Hundred
22 Thousand Dollars (\$100,000.00) or less if the
23 filing status is single, head of household, or
24 married filing separate, or Two Hundred Thousand
25

1 Dollars (\$200,000.00) or less if the filing
2 status is married filing jointly or qualifying
3 widow, and

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

7 c. For purposes of this paragraph, "retirement benefits"
8 means the total distributions or withdrawals from the
9 following:

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

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

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

20 (4) an employee annuity subject to the provisions of
21 Section 403(a) or (b) of the Internal Revenue
22 Code, 26 U.S.C., Section 403(a) or (b),
23
24
25

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

4 (6) lump-sum distributions from a retirement plan
5 which satisfies the requirements of Section
6 402(e) of the Internal Revenue Code, 26 U.S.C.,
7 Section 402(e).

8 d. The amount of the exemption provided by this paragraph
9 shall be limited to Five Thousand Five Hundred Dollars
10 (\$5,500.00) for the 2004 tax year, Seven Thousand Five
11 Hundred Dollars (\$7,500.00) for the 2005 tax year and
12 Ten Thousand Dollars (\$10,000.00) for the tax year
13 2006 and for all subsequent tax years. Any individual
14 who claims the exemption provided for in paragraph 8
15 of this subsection shall not be permitted to claim a
16 combined total exemption pursuant to this paragraph
17 and paragraph 8 of this subsection in an amount
18 exceeding Five Thousand Five Hundred Dollars
19 (\$5,500.00) for the 2004 tax year, Seven Thousand Five
20 Hundred Dollars (\$7,500.00) for the 2005 tax year and
21 Ten Thousand Dollars (\$10,000.00) for the 2006 tax
22 year and all subsequent tax years.

23 15. In taxable years beginning after December 31, 1999, for an
24 individual engaged in production agriculture who has filed a

1 Schedule F form with the taxpayer's federal income tax return for
2 such taxable year, there shall be excluded from taxable income any
3 amount which was included as federal taxable income or federal
4 adjusted gross income and which consists of the discharge of an
5 obligation by a creditor of the taxpayer incurred to finance the
6 production of agricultural products.

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

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

21 b. In taxable years beginning after December 31, 2004,
22 each taxpayer shall be allowed a deduction for
23 contributions to accounts established pursuant to the
24 Oklahoma College Savings Plan Act. The maximum annual
25

1 deduction shall equal the amount of contributions to
2 all such accounts plus any contributions to such
3 accounts by the taxpayer for prior taxable years after
4 December 31, 2004, which were not deducted, but in no
5 event shall the deduction for each tax year exceed Ten
6 Thousand Dollars (\$10,000.00) for each individual
7 taxpayer or Twenty Thousand Dollars (\$20,000.00) for
8 taxpayers filing a joint return. Any amount of a
9 contribution that is not deducted by the taxpayer in
10 the year for which the contribution is made may be
11 carried forward as a deduction from income for the
12 succeeding five (5) years. For taxable years
13 beginning after December 31, 2005, deductions may be
14 taken for contributions and rollovers made during a
15 taxable year and up to April 15 of the succeeding
16 year, or the due date of a taxpayer's state income tax
17 return, excluding extensions, whichever is later.
18 Provided, a deduction for the same contribution may
19 not be taken for two (2) different taxable years.

- 20 c. In taxable years beginning after December 31, 2006,
21 deductions for contributions made pursuant to
22 subparagraph b of this paragraph shall be limited as
23 follows:
24

1 (1) for a taxpayer who qualified for the five-year
2 carryforward election and who takes a rollover or
3 nonqualified withdrawal during that period, the
4 tax deduction otherwise available pursuant to
5 subparagraph b of this paragraph shall be reduced
6 by the amount which is equal to the rollover or
7 nonqualified withdrawal, and

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

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

23 e. If a taxpayer makes a nonqualified withdrawal of
24 contributions for which a deduction was taken pursuant
25

1 to subparagraph b of this paragraph, such nonqualified
2 withdrawal and any earnings thereon shall be included
3 in the adjusted gross income of the taxpayer in the
4 taxable year of the nonqualified withdrawal.

5 f. As used in this paragraph:

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

9 (a) a qualified withdrawal,

10 (b) a withdrawal made as a result of the death
11 or disability of the designated beneficiary
12 of an account,

13 (c) a withdrawal that is made on the account of
14 a scholarship or the allowance or payment
15 described in Section 135(d)(1)(B) or (C) or
16 by the Internal Revenue Code, received by
17 the designated beneficiary to the extent the
18 amount of the refund does not exceed the
19 amount of the scholarship, allowance, or
20 payment, or

21 (d) a rollover or change of designated
22 beneficiary as permitted by subsection F of
23 Section 3970.7 of Title 70 of the Oklahoma
24 Statutes, and

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

4 18. For tax years 2006 through 2021, retirement benefits
5 received by an individual from any component of the Armed Forces of
6 the United States in an amount not to exceed the greater of seventy-
7 five percent (75%) of such benefits or Ten Thousand Dollars
8 (\$10,000.00) shall be exempt from taxable income but in no case less
9 than the amount of the exemption provided by paragraph 14 of this
10 subsection. For tax year 2022 and subsequent tax years, retirement
11 benefits received by an individual from any component of the Armed
12 Forces of the United States shall be exempt from taxable income.

13 19. For taxable years beginning after December 31, 2006,
14 retirement benefits received by federal civil service retirees,
15 including survivor annuities, paid in lieu of Social Security
16 benefits shall be exempt from taxable income to the extent such
17 benefits are included in the federal adjusted gross income pursuant
18 to the provisions of Section 86 of the Internal Revenue Code, 26
19 U.S.C., Section 86, according to the following schedule:

- 20 a. in the taxable year beginning January 1, 2007, twenty
21 percent (20%) of such benefits shall be exempt,
22 b. in the taxable year beginning January 1, 2008, forty
23 percent (40%) of such benefits shall be exempt,
24

- 1 c. in the taxable year beginning January 1, 2009, sixty
2 percent (60%) of such benefits shall be exempt,
3 d. in the taxable year beginning January 1, 2010, eighty
4 percent (80%) of such benefits shall be exempt, and
5 e. in the taxable year beginning January 1, 2011, and
6 subsequent taxable years, one hundred percent (100%)
7 of such benefits shall be exempt.

8 20. a. For taxable years beginning after December 31, 2007, a
9 resident individual may deduct up to Ten Thousand
10 Dollars (\$10,000.00) from Oklahoma adjusted gross
11 income if the individual, or the dependent of the
12 individual, while living, donates one or more human
13 organs of the individual to another human being for
14 human organ transplantation. As used in this
15 paragraph, "human organ" means all or part of a liver,
16 pancreas, kidney, intestine, lung, or bone marrow. A
17 deduction that is claimed under this paragraph may be
18 claimed in the taxable year in which the human organ
19 transplantation occurs.

- 20 b. An individual may claim this deduction only once, and
21 the deduction may be claimed only for unreimbursed
22 expenses that are incurred by the individual and
23 related to the organ donation of the individual.
24

1 c. The Oklahoma Tax Commission shall promulgate rules to
2 implement the provisions of this paragraph which shall
3 contain a specific list of expenses which may be
4 presumed to qualify for the deduction. The Tax
5 Commission shall prescribe necessary requirements for
6 verification.

7 21. For taxable years beginning after December 31, 2009, there
8 shall be exempt from taxable income any amount received by the
9 beneficiary of the death benefit for an emergency medical technician
10 or a registered emergency medical responder provided by Section 1-
11 2505.1 of Title 63 of the Oklahoma Statutes.

12 22. For taxable years beginning after December 31, 2008,
13 taxable income shall be increased by any unemployment compensation
14 exempted under Section 85(c) of the Internal Revenue Code, 26
15 U.S.C., Section 85(c) (2009).

16 23. For taxable years beginning after December 31, 2008, there
17 shall be exempt from taxable income any payment in an amount less
18 than Six Hundred Dollars (\$600.00) received by a person as an award
19 for participation in a competitive livestock show event. For
20 purposes of this paragraph, the payment shall be treated as a
21 scholarship amount paid by the entity sponsoring the event and the
22 sponsoring entity shall cause the payment to be categorized as a
23 scholarship in its books and records.

1 24. For taxable years beginning on or after January 1, 2016,
2 taxable income shall be increased by any amount of state and local
3 sales or income taxes deducted under 26 U.S.C., Section 164 of the
4 Internal Revenue Code. If the amount of state and local taxes
5 deducted on the federal return is limited, taxable income on the
6 state return shall be increased only by the amount actually deducted
7 after any such limitations are applied.

8 25. For taxable years beginning after December 31, 2020, each
9 taxpayer shall be allowed a deduction for contributions to accounts
10 established pursuant to the Achieving a Better Life Experience
11 (ABLE) Program as established in Section 4001.1 et seq. of Title 56
12 of the Oklahoma Statutes. For any tax year, the deduction provided
13 for in this paragraph shall not exceed Ten Thousand Dollars
14 (\$10,000.00) for an individual taxpayer or Twenty Thousand Dollars
15 (\$20,000.00) for taxpayers filing a joint return. Any amount of
16 contribution not deducted by the taxpayer in the tax year for which
17 the contribution is made may be carried forward as a deduction from
18 income for up to five (5) tax years. Deductions may be taken for
19 contributions made during the tax year and through April 15 of the
20 succeeding tax year, or through the due date of a taxpayer's state
21 income tax return excluding extensions, whichever is later.
22 Provided, a deduction for the same contribution may not be taken in
23 more than one (1) tax year.

1 F. 1. For taxable years beginning after December 31, 2004, a
2 deduction from the Oklahoma adjusted gross income of any individual
3 taxpayer shall be allowed for qualifying gains receiving capital
4 treatment that are included in the federal adjusted gross income of
5 such individual taxpayer during the taxable year.

6 2. As used in this subsection:

7 a. "qualifying gains receiving capital treatment" means
8 the amount of net capital gains, as defined in Section
9 1222(11) of the Internal Revenue Code, included in an
10 individual taxpayer's federal income tax return that
11 result from:

12 (1) the sale of real property or tangible personal
13 property located within ~~Oklahoma~~ this state that
14 has been directly or indirectly owned by the
15 individual taxpayer for a holding period of at
16 least five (5) years prior to the date of the
17 transaction from which such net capital gains
18 arise,

19 (2) the sale of stock or the sale of a direct or
20 indirect ownership interest in an Oklahoma
21 company, limited liability company, or
22 partnership where such stock or ownership
23 interest has been directly or indirectly owned by
24 the individual taxpayer for a holding period of
25

1 at least two (2) years prior to the date of the
2 transaction from which the net capital gains
3 arise, or

4 (3) the sale of real property, tangible personal
5 property or intangible personal property located
6 within ~~Oklahoma~~ this state as part of the sale of
7 all or substantially all of the assets of an
8 Oklahoma company, limited liability company, or
9 partnership or an Oklahoma proprietorship
10 business enterprise where such property has been
11 directly or indirectly owned by such entity or
12 business enterprise or owned by the owners of
13 such entity or business enterprise for a period
14 of at least two (2) years prior to the date of
15 the transaction from which the net capital gains
16 arise,

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

23 c. "Oklahoma company," "limited liability company," or
24 "partnership" means an entity whose primary
25

1 headquarters have been located in ~~Oklahoma~~ this state
2 for at least three (3) uninterrupted years prior to
3 the date of the transaction from which the net capital
4 gains arise,

5 d. "direct" means the individual taxpayer directly owns
6 the asset,

7 e. "indirect" means the individual taxpayer owns an
8 interest in a pass-through entity (or chain of pass-
9 through entities) that sells the asset that gives rise
10 to the qualifying gains receiving capital treatment.

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

1 (2) With respect to sales of stock or ownership
2 interest in or sales of all or substantially all
3 of the assets of an Oklahoma company, limited
4 liability company, partnership or Oklahoma
5 proprietorship business enterprise, the deduction
6 described in this subsection shall not apply
7 unless the pass-through entity that makes the
8 sale has held the stock or ownership interest for
9 not less than two (2) uninterrupted years prior
10 to the date of the transaction that created the
11 capital gain, and each pass-through entity
12 included in the chain of ownership has been a
13 member, partner or shareholder of the pass-
14 through entity in the tier immediately below it
15 for an uninterrupted period of not less than two
16 (2) years. For purposes of this division,
17 uninterrupted ownership prior to July 1, 2007,
18 shall be included in the determination of the
19 required holding period prescribed by this
20 division, and

21 f. "Oklahoma proprietorship business enterprise" means a
22 business enterprise whose income and expenses have
23 been reported on Schedule C or F of an individual
24 taxpayer's federal income tax return, or any similar
25

1 successor schedule published by the Internal Revenue
2 Service and whose primary headquarters have been
3 located in ~~Oklahoma~~ this state for at least three (3)
4 uninterrupted years prior to the date of the
5 transaction from which the net capital gains arise.

6 G. 1. For purposes of computing its Oklahoma taxable income
7 under this section, the dividends-paid deduction otherwise allowed
8 by federal law in computing net income of a real estate investment
9 trust that is subject to federal income tax shall be added back in
10 computing the tax imposed by this state under this title if the real
11 estate investment trust is a captive real estate investment trust.

12 2. For purposes of computing its Oklahoma taxable income under
13 this section, a taxpayer shall add back otherwise deductible rents
14 and interest expenses paid to a captive real estate investment trust
15 that is not subject to the provisions of paragraph 1 of this
16 subsection. As used in this subsection:

- 17 a. the term "real estate investment trust" or "REIT"
18 means the meaning ascribed to such term in Section 856
19 of the Internal Revenue Code,
20 b. the term "captive real estate investment trust" means
21 a real estate investment trust, the shares or
22 beneficial interests of which are not regularly traded
23 on an established securities market and more than
24 fifty percent (50%) of the voting power or value of

1 the beneficial interests or shares of which are owned
2 or controlled, directly or indirectly, or
3 constructively, by a single entity that is:

- 4 (1) treated as an association taxable as a
5 corporation under the Internal Revenue Code, and
6 (2) not exempt from federal income tax pursuant to
7 the provisions of Section 501(a) of the Internal
8 Revenue Code.

9 The term shall not include a real estate investment
10 trust that is intended to be regularly traded on an
11 established securities market, and that satisfies the
12 requirements of Section 856(a)(5) and (6) of the U.S.
13 Internal Revenue Code by reason of Section 856(h)(2)
14 of the Internal Revenue Code,

15 c. the term "association taxable as a corporation" shall
16 not include the following entities:

- 17 (1) any real estate investment trust as defined in
18 paragraph a of this subsection other than a
19 ~~"captive real estate investment trust"~~ captive
20 real estate investment trust, or
21 (2) any qualified real estate investment trust
22 subsidiary under Section 856(i) of the Internal
23 Revenue Code, other than a qualified REIT
24

- 1 subsidiary of a ~~"captive real estate investment~~
2 ~~trust"~~ captive real estate investment trust, or
3 (3) any ~~Listed Australian Property Trust~~ listed
4 Australian property trust (meaning an Australian
5 unit trust registered as a ~~"Managed Investment~~
6 ~~Scheme"~~ "managed investment scheme" under the
7 Australian Corporations Act 2001 in which the
8 principal class of units is listed on a
9 recognized stock exchange in Australia and is
10 regularly traded on an established securities
11 market), or an entity organized as a trust,
12 provided that a ~~Listed Australian Property Trust~~
13 listed Australian property trust owns or
14 controls, directly or indirectly, seventy-five
15 percent (75%) or more of the voting power or
16 value of the beneficial interests or shares of
17 such trust, or
18 (4) any ~~Qualified Foreign Entity~~ qualified foreign
19 entity, meaning a corporation, trust, association
20 or partnership organized outside the laws of the
21 United States and which satisfies the following
22 criteria:
23 (a) at least seventy-five percent (75%) of the
24 entity's total asset value at the close of
25

1 its taxable year is represented by real
2 estate assets, as defined in Section
3 856(c)(5)(B) of the Internal Revenue Code,
4 thereby including shares or certificates of
5 beneficial interest in any real estate
6 investment trust, cash and cash equivalents,
7 and U.S. Government securities,

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

12 (c) the entity is required to distribute at
13 least eighty-five percent (85%) of its
14 taxable income, as computed in the
15 jurisdiction in which it is organized, to
16 the holders of its shares or certificates of
17 beneficial interest on an annual basis,

18 (d) not more than ten percent (10%) of the
19 voting power or value in such entity is held
20 directly or indirectly or constructively by
21 a single entity or individual, or the shares
22 or beneficial interests of such entity are
23 regularly traded on an established
24 securities market, and

1 (e) the entity is organized in a country which
2 has a tax treaty with the United States.

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

8 4. A real estate investment trust that does not become
9 regularly traded on an established securities market within one (1)
10 year of the date on which it first becomes a real estate investment
11 trust shall be deemed not to have been regularly traded on an
12 established securities market, retroactive to the date it first
13 became a real estate investment trust, and shall file an amended
14 return reflecting such retroactive designation for any tax year or
15 part year occurring during its initial year of status as a real
16 estate investment trust. For purposes of this subsection, a real
17 estate investment trust becomes a real estate investment trust on
18 the first day it has both met the requirements of Section 856 of the
19 Internal Revenue Code and has elected to be treated as a real estate
20 investment trust pursuant to Section 856(c)(1) of the Internal
21 Revenue Code.

22 SECTION 3. This act shall become effective July 1, 2024.

23 SECTION 4. It being immediately necessary for the preservation
24 of the public peace, health or safety, an emergency is hereby
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1 declared to exist, by reason whereof this act shall take effect and
2 be in full force from and after its passage and approval.
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