

COMMITTEE AMENDMENT
HOUSE OF REPRESENTATIVES
State of Oklahoma

SPEAKER:

CHAIR:

I move to amend HB3548 _____
Of the printed Bill
Page _____ Section _____ Lines _____
Of the Engrossed Bill

By deleting the content of the entire measure, and by inserting in lieu thereof the following language:

AMEND TITLE TO CONFORM TO AMENDMENTS

Adopted: _____

Amendment submitted by: Cody Maynard _____

Reading Clerk

1 STATE OF OKLAHOMA

2 2nd Session of the 60th Legislature (2026)

3 PROPOSED SUBCOMMITTEE
4 SUBSTITUTE
5 FOR
6 HOUSE BILL NO. 3548

By: Maynard

7
8 PROPOSED SUBCOMMITTEE SUBSTITUTE

9 An Act relating to entrepreneurial experience;
10 enacting the Oklahoma Youth Entrepreneurs Promotion
11 and Development Act of 2026; amending 68 O.S. 2021,
12 Section 1357, as last amended by Section 1, Chapter
13 391, O.S.L. 2025 (68 O.S. Supp. 2025, Section 1357),
14 which relates to sales tax exemption; providing sales
15 tax exemption for sales of tangible personal property
16 and services by certain persons as sole proprietors;
17 providing exemption for income derived by business
18 activity conducted by certain persons; limiting
19 business assistance from adults; placing gross
20 revenue cap on the business; specifying where
21 business is conducted to receive exemption;
22 prohibiting exemption from applying if the business
23 is materially operated for the benefit of an adult;
24 amending 68 O.S. 2021, Section 2358, as last amended
by Section 1, Chapter 166, O.S.L. 2024 (68 O.S. Supp.
2025, Section 2358), which relates to Oklahoma
taxable income and adjusted gross income; providing
exemption for income derived by business activity
conducted by certain persons; limiting business
assistance from adults; placing gross revenue cap on
the business; specifying where business is conducted
to receive exemption; prohibiting exemption from
applying if the business is materially operated for
the benefit of an adult; exempting certain sole
proprietors from state or local business licensing
requirements; providing for noncodification;
providing for codification; and providing an
effective date.

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

SECTION 1. NEW LAW A new section of law not to be codified in the Oklahoma Statutes reads as follows:

This act shall be known and may be cited as the "Oklahoma Youth Entrepreneurs Promotion and Development Act of 2026".

SECTION 2. AMENDATORY 68 O.S. 2021, Section 1357, as last amended by Section 1, Chapter 391, O.S.L. 2025 (68 O.S. Supp. 2025, Section 1357), is amended to read as follows:

Section 1357. Exemptions - General.

There are hereby specifically exempted from the tax levied by the Oklahoma Sales Tax Code:

1. Transportation of school pupils to and from elementary schools or high schools in motor or other vehicles;
2. Transportation of persons where the fare of each person does not exceed One Dollar (\$1.00), or local transportation of persons within the corporate limits of a municipality except by taxicabs;
3. Sales for resale to persons engaged in the business of reselling the articles purchased, whether within or without the state, provided that such sales to residents of this state are made to persons to whom sales tax permits have been issued as provided in the Oklahoma Sales Tax Code. This exemption shall not apply to the sales of articles made to persons holding permits when such persons

1 purchase items for their use and which they are not regularly
2 engaged in the business of reselling; neither shall this exemption
3 apply to sales of tangible personal property to peddlers, solicitors
4 and other salespersons who do not have an established place of
5 business and a sales tax permit. The exemption provided by this
6 paragraph shall apply to sales of motor fuel or diesel fuel to a
7 Group Five vendor, but the use of such motor fuel or diesel fuel by
8 the Group Five vendor shall not be exempt from the tax levied by the
9 Oklahoma Sales Tax Code. The purchase of motor fuel or diesel fuel
10 is exempt from sales tax when the motor fuel is for shipment outside
11 this state and consumed by a common carrier by rail in the conduct
12 of its business. The sales tax shall apply to the purchase of motor
13 fuel or diesel fuel in Oklahoma by a common carrier by rail when
14 such motor fuel is purchased for fueling, within this state, of any
15 locomotive or other motorized flanged wheel equipment;

16 4. Sales of advertising space in newspapers and periodicals;

17 5. Sales of programs relating to sporting and entertainment
18 events, and sales of advertising on billboards (including signage,
19 posters, panels, marquees or on other similar surfaces, whether
20 indoors or outdoors) or in programs relating to sporting and
21 entertainment events, and sales of any advertising, to be displayed
22 at or in connection with a sporting event, via the Internet,
23 electronic display devices or through public address or broadcast
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1 systems. The exemption authorized by this paragraph shall be
2 effective for all sales made on or after January 1, 2001;

3 6. Sales of any advertising, other than the advertising
4 described by paragraph 5 of this section, via the Internet,
5 electronic display devices or through the electronic media including
6 radio, public address or broadcast systems, television (whether
7 through closed circuit broadcasting systems or otherwise), and cable
8 and satellite television, and the servicing of any advertising
9 devices;

10 7. Eggs, feed, supplies, machinery, and equipment purchased by
11 persons regularly engaged in the business of raising worms, fish,
12 any insect, or any other form of terrestrial or aquatic animal life
13 and used for the purpose of raising same for marketing. This
14 exemption shall only be granted and extended to the purchaser when
15 the items are to be used and in fact are used in the raising of
16 animal life as set out above. Each purchaser shall certify, in
17 writing, on the invoice or sales ticket retained by the vendor that
18 the purchaser is regularly engaged in the business of raising such
19 animal life and that the items purchased will be used only in such
20 business. The vendor shall certify to the Oklahoma Tax Commission
21 that the price of the items has been reduced to grant the full
22 benefit of the exemption. Violation hereof by the purchaser or
23 vendor shall be a misdemeanor;

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1 8. Sale of natural or artificial gas and electricity, and
2 associated delivery or transmission services, when sold exclusively
3 for residential use. Provided, this exemption shall not apply to
4 any sales tax levied by a city or town, or a county or any other
5 jurisdiction in this state;

6 9. In addition to the exemptions authorized by Section 1357.6
7 of this title, sales of drugs sold pursuant to a prescription
8 written for the treatment of human beings by a person licensed to
9 prescribe the drugs, and sales of insulin and medical oxygen.
10 Provided, this exemption shall not apply to over-the-counter drugs;

11 10. Transfers of title or possession of empty, partially
12 filled, or filled returnable oil and chemical drums to any person
13 who is not regularly engaged in the business of selling, reselling
14 or otherwise transferring empty, partially filled or filled
15 returnable oil drums;

16 11. Sales of one-way utensils, paper napkins, paper cups,
17 disposable hot containers, and other one-way carry out materials to
18 a vendor of meals or beverages;

19 12. Sales of food or food products for home consumption which
20 are purchased in whole or in part with coupons issued pursuant to
21 the federal food stamp program as authorized by Sections 2011
22 through 2036d of Title 7 of the United States Code, as to that
23 portion purchased with such coupons. The exemption provided for
24 such sales shall be inapplicable to such sales upon the effective

1 date of any federal law that removes the requirement of the
2 exemption as a condition for participation by the state in the
3 federal food stamp program;

4 13. Sales of food or food products, or any equipment or
5 supplies used in the preparation of the food or food products to or
6 by an organization which:

7 a. is exempt from taxation pursuant to the provisions of
8 Section 501(c)(3) of the Internal Revenue Code of
9 1986, as amended, 26 U.S.C., Section 501(c)(3), and
10 which provides and delivers prepared meals for home
11 consumption to elderly or homebound persons as part of
12 a program commonly known as "Meals on Wheels" or
13 "Mobile Meals", or

14 b. is exempt from taxation pursuant to the provisions of
15 Section 501(c)(3) of the Internal Revenue Code of
16 1986, as amended, 26 U.S.C., Section 501(c)(3), and
17 which receives federal funding pursuant to the Older
18 Americans Act of 1965, as amended, for the purpose of
19 providing nutrition programs for the care and benefit
20 of elderly persons;

21 14. a. Sales of tangible personal property or services to or
22 by organizations which are exempt from taxation
23 pursuant to the provisions of Section 501(c)(3) of the
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1 Internal Revenue Code of 1986, as amended, 26 U.S.C.,
2 Section 501(c) (3), and:

- 3 (1) are primarily involved in the collection and
4 distribution of food and other household products
5 to other organizations that facilitate the
6 distribution of such products to the needy and
7 such distributee organizations are exempt from
8 taxation pursuant to the provisions of Section
9 501(c) (3) of the Internal Revenue Code of 1986,
10 as amended, 26 U.S.C., Section 501(c) (3), or
11 (2) facilitate the distribution of such products to
12 the needy.

- 13 b. Sales made in the course of business for profit or
14 savings, competing with other persons engaged in the
15 same or similar business shall not be exempt under
16 this paragraph;

17 15. Sales of tangible personal property or services to
18 children's homes which are located on church-owned property and are
19 operated by organizations exempt from taxation pursuant to the
20 provisions of the Internal Revenue Code of 1986, as amended, 26
21 U.S.C., Section 501(c) (3);

22 16. Sales of computers, data processing equipment, related
23 peripherals, and telephone, telegraph or telecommunications service
24 and equipment for use in a qualified aircraft maintenance or

1 manufacturing facility. For purposes of this paragraph, "qualified
2 aircraft maintenance or manufacturing facility" means a new or
3 expanding facility primarily engaged in aircraft repair, building or
4 rebuilding, whether or not on a factory basis, whose total cost of
5 construction exceeds the sum of Five Million Dollars (\$5,000,000.00)
6 and which employs at least two hundred fifty new full-time-
7 equivalent employees, as certified by the Oklahoma Employment
8 Security Commission, upon completion of the facility. In order to
9 qualify for the exemption provided for by this paragraph, the cost
10 of the items purchased by the qualified aircraft maintenance or
11 manufacturing facility shall equal or exceed the sum of Two Million
12 Dollars (\$2,000,000.00);

13 17. Sales of tangible personal property consumed or
14 incorporated in the construction or expansion of a qualified
15 aircraft maintenance or manufacturing facility as defined in
16 paragraph 16 of this section. For purposes of this paragraph, sales
17 made to a contractor or subcontractor that has previously entered
18 into a contractual relationship with a qualified aircraft
19 maintenance or manufacturing facility for construction or expansion
20 of such a facility shall be considered sales made to a qualified
21 aircraft maintenance or manufacturing facility;

22 18. Sales of the following telecommunications services:

23 a. interstate and international 800 service. "800
24 service" means a telecommunications service that

1 allows a caller to dial a toll-free number without
2 incurring a charge for the call. The service is
3 typically marketed under the name "800", "855", "866",
4 "877" and "888" toll-free calling, and any subsequent
5 numbers designated by the Federal Communications
6 Commission,

7 b. interstate and international 900 service. "900
8 service" means an inbound toll telecommunications
9 service purchased by a subscriber that allows the
10 subscriber's customers to call in to the subscriber's
11 prerecorded announcement or live service. 900 service
12 does not include the charge for: collection services
13 provided by the seller of the telecommunications
14 services to the subscriber, or service or product sold
15 by the subscriber to the subscriber's customer. The
16 service is typically marketed under the name "900"
17 service, and any subsequent numbers designated by the
18 Federal Communications Commission,

19 c. interstate and international private communications
20 service. "Private communications service" means a
21 telecommunications service that entitles the customer
22 to exclusive or priority use of a communications
23 channel or group of channels between or among
24 termination points, regardless of the manner in which

1 such channel or channels are connected, and includes
2 switching capacity, extension lines, stations and any
3 other associated services that are provided in
4 connection with the use of such channel or channels,

5 d. value-added nonvoice data service. "Value-added
6 nonvoice data service" means a service that otherwise
7 meets the definition of telecommunications services in
8 which computer processing applications are used to act
9 on the form, content, code or protocol of the
10 information or data primarily for a purpose other than
11 transmission, conveyance, or routing,

12 e. interstate and international telecommunications
13 service which is:

14 (1) rendered by a company for private use within its
15 organization, or

16 (2) used, allocated or distributed by a company to
17 its affiliated group,

18 f. regulatory assessments and charges including charges
19 to fund the Oklahoma Universal Service Fund, the
20 Oklahoma Lifeline Fund and the Oklahoma High Cost
21 Fund, and

22 g. telecommunications nonrecurring charges including but
23 not limited to the installation, connection, change,
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1 or initiation of telecommunications services which are
2 not associated with a retail consumer sale;

3 19. Sales of railroad track spikes manufactured and sold for
4 use in this state in the construction or repair of railroad tracks,
5 switches, sidings, and turnouts;

6 20. Sales of aircraft and aircraft parts provided such sales
7 occur at a qualified aircraft maintenance facility. As used in this
8 paragraph, "qualified aircraft maintenance facility" means a
9 facility operated by an air common carrier including one or more
10 component overhaul support buildings or structures in an area owned,
11 leased, or controlled by the air common carrier, at which there were
12 employed at least two thousand full-time-equivalent employees in the
13 preceding year as certified by the Oklahoma Employment Security
14 Commission and which is primarily related to the fabrication,
15 repair, alteration, modification, refurbishing, maintenance,
16 building, or rebuilding of commercial aircraft or aircraft parts
17 used in air common carriage. For purposes of this paragraph, "air
18 common carrier" shall also include members of an affiliated group as
19 defined by Section 1504 of the Internal Revenue Code of 1986, as
20 amended, 26 U.S.C., Section 1504. Beginning July 1, 2012, the
21 exemption shall include sales of machinery, tools, supplies,
22 equipment, and related tangible personal property and services used
23 or consumed in the repair, remodeling, or maintenance of aircraft,
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1 aircraft engines or aircraft component parts which occur at a
2 qualified aircraft maintenance facility;

3 21. Sales of machinery and equipment purchased and used by
4 persons and establishments primarily engaged in computer services
5 and data processing:

6 a. as defined under Industry Group Numbers 7372 and 7373
7 of the Standard Industrial Classification (SIC)
8 Manual, latest version, which derive at least fifty
9 percent (50%) of their annual gross revenues from the
10 sale of a product or service to an out-of-state buyer
11 or consumer, and

12 b. as defined under Industry Group Number 7374 of the SIC
13 Manual, latest version, which derive at least eighty
14 percent (80%) of their annual gross revenues from the
15 sale of a product or service to an out-of-state buyer
16 or consumer.

17 Eligibility for the exemption set out in this paragraph shall be
18 established, subject to review by the Tax Commission, by annually
19 filing an affidavit with the Tax Commission stating that the
20 facility so qualifies and such information as required by the Tax
21 Commission. For purposes of determining whether annual gross
22 revenues are derived from sales to out-of-state buyers or consumers,
23 all sales to the federal government shall be considered to be to an
24 out-of-state buyer or consumer;

1 22. Sales of prosthetic devices to an individual for use by
2 such individual. For purposes of this paragraph, "prosthetic
3 device" shall have the same meaning as provided in Section 1357.6 of
4 this title, but shall not include corrective eye glasses, contact
5 lenses, or hearing aids;

6 23. Sales of tangible personal property or services to a motion
7 picture or television production company to be used or consumed in
8 connection with an eligible production. For purposes of this
9 paragraph, "eligible production" means a documentary, special, music
10 video or a television commercial or television program that will
11 serve as a pilot for or be a segment of an ongoing dramatic or
12 situation comedy series filmed or taped for network or national or
13 regional syndication or a feature-length motion picture intended for
14 theatrical release or for network or national or regional
15 syndication or broadcast. The provisions of this paragraph shall
16 apply to sales occurring on or after July 1, 1996. In order to
17 qualify for the exemption, the motion picture or television
18 production company shall file any documentation and information
19 required to be submitted pursuant to rules promulgated by the Tax
20 Commission;

21 24. Sales of diesel fuel sold for consumption by commercial
22 vessels, barges and other commercial watercraft;

23 25. Sales of tangible personal property or services to tax-
24 exempt independent nonprofit biomedical research foundations that

1 provide educational programs for Oklahoma science students and
2 teachers and to tax-exempt independent nonprofit community blood
3 banks headquartered in this state;

4 26. Effective May 6, 1992, sales of wireless telecommunications
5 equipment to a vendor who subsequently transfers the equipment at no
6 charge or for a discounted charge to a consumer as part of a
7 promotional package or as an inducement to commence or continue a
8 contract for wireless telecommunications services;

9 27. Effective January 1, 1991, leases of rail transportation
10 cars to haul coal to coal-fired plants located in this state which
11 generate electric power;

12 28. Beginning July 1, 2005, sales of aircraft engine repairs,
13 modification, and replacement parts, sales of aircraft frame repairs
14 and modification, aircraft interior modification, and paint, and
15 sales of services employed in the repair, modification, and
16 replacement of parts of aircraft engines, aircraft frame and
17 interior repair and modification, and paint;

18 29. Sales of materials and supplies to the owner or operator of
19 a ship, motor vessel, or barge that is used in interstate or
20 international commerce if the materials and supplies:

21 a. are loaded on the ship, motor vessel, or barge and
22 used in the maintenance and operation of the ship,
23 motor vessel, or barge, or

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1 b. enter into and become component parts of the ship,
2 motor vessel, or barge;

3 30. Sales of tangible personal property made at estate sales at
4 which such property is offered for sale on the premises of the
5 former residence of the decedent by a person who is not required to
6 be licensed pursuant to the Transient Merchant Licensing Act, or who
7 is not otherwise required to obtain a sales tax permit for the sale
8 of such property pursuant to the provisions of Section 1364 of this
9 title; provided:

10 a. such sale or event may not be held for a period
11 exceeding three (3) consecutive days,

12 b. the sale must be conducted within six (6) months of
13 the date of death of the decedent, and

14 c. the exemption allowed by this paragraph shall not be
15 allowed for property that was not part of the
16 decedent's estate;

17 31. Beginning January 1, 2004, sales of electricity and
18 associated delivery and transmission services, when sold exclusively
19 for use by an oil and gas operator for reservoir dewatering projects
20 and associated operations commencing on or after July 1, 2003, in
21 which the initial water-to-oil ratio is greater than or equal to
22 five-to-one water-to-oil, and such oil and gas development projects
23 have been classified by the Corporation Commission as a reservoir
24 dewatering unit;

1 32. Sales of prewritten computer software that is delivered
2 electronically. For purposes of this paragraph, "delivered
3 electronically" means delivered to the purchaser by means other than
4 tangible storage media;

5 33. Sales of modular dwelling units when built at a production
6 facility and moved in whole or in parts, to be assembled on-site,
7 and permanently affixed to the real property and used for
8 residential or commercial purposes. The exemption provided by this
9 paragraph shall equal forty-five percent (45%) of the total sales
10 price of the modular dwelling unit. For purposes of this paragraph,
11 "modular dwelling unit" means a structure that is not subject to the
12 motor vehicle excise tax imposed pursuant to Section 2103 of this
13 title;

14 34. Sales of tangible personal property or services to:
15 a. persons who are residents of Oklahoma and have been
16 honorably discharged from active service in any branch
17 of the Armed Forces of the United States or Oklahoma
18 National Guard and who have been certified by the
19 United States Department of Veterans Affairs or its
20 successor to be in receipt of disability compensation
21 at the one-hundred-percent rate and the disability
22 shall be permanent and have been sustained through
23 military action or accident or resulting from disease
24 contracted while in such active service and registered

1 with the veterans registry created by the Oklahoma
2 Department of Veterans Affairs, or

- 3 b. the surviving spouse of the person in subparagraph a
4 of this paragraph if the person is deceased and the
5 spouse has not remarried and the surviving spouse of a
6 person who is determined by the United States
7 Department of Defense or any branch of the United
8 States military to have died while in the line of duty
9 if the spouse has not remarried. Sales for the
10 benefit of an eligible person to a spouse of the
11 eligible person or to a member of the household in
12 which the eligible person resides and who is
13 authorized to make purchases on the person's behalf,
14 when such eligible person is not present at the sale,
15 shall also be exempt for purposes of this paragraph.
16 The Oklahoma Tax Commission shall issue a separate
17 exemption card to a spouse of an eligible person or to
18 a member of the household in which the eligible person
19 resides who is authorized to make purchases on the
20 person's behalf, if requested by the eligible person.
21 Sales qualifying for the exemption authorized by this
22 paragraph shall not exceed Twenty-five Thousand
23 Dollars (\$25,000.00) per year per individual while the
24 disabled veteran is living. Sales qualifying for the

1 exemption authorized by this paragraph shall not
2 exceed One Thousand Dollars (\$1,000.00) per year for
3 an unremarried surviving spouse. Upon request of the
4 Tax Commission, a person asserting or claiming the
5 exemption authorized by this paragraph shall provide a
6 statement, executed under oath, that the total sales
7 amounts for which the exemption is applicable have not
8 exceeded Twenty-five Thousand Dollars (\$25,000.00) per
9 year per living disabled veteran or One Thousand
10 Dollars (\$1,000.00) per year for an unremarried
11 surviving spouse. If the amount of such exempt sales
12 exceeds such amount, the sales tax in excess of the
13 authorized amount shall be treated as a direct sales
14 tax liability and may be recovered by the Tax
15 Commission in the same manner provided by law for
16 other taxes including penalty and interest. The Tax
17 Commission shall promulgate any rules necessary to
18 implement the provisions of this paragraph, which
19 shall include rules providing for the disclosure of
20 information about persons eligible for the exemption
21 authorized in this paragraph to the Oklahoma
22 Department of Veterans Affairs, as authorized in
23 Section 205 of this title. For purposes of the
24 exemption authorized by this subparagraph, if the

1 disability determination that would have been made
2 while the disabled veteran was still living is not
3 made final until after the death of the disabled
4 veteran, the exemption authorized by this subparagraph
5 may still be claimed by the surviving spouse;

6 35. Sales of electricity to the operator, specifically
7 designated by the Corporation Commission, of a spacing unit or lease
8 from which oil is produced or attempted to be produced using
9 enhanced recovery methods including, but not limited to, increased
10 pressure in a producing formation through the use of water or
11 saltwater if the electrical usage is associated with and necessary
12 for the operation of equipment required to inject or circulate
13 fluids in a producing formation for the purpose of forcing oil or
14 petroleum into a wellbore for eventual recovery and production from
15 the wellhead. In order to be eligible for the sales tax exemption
16 authorized by this paragraph, the total content of oil recovered
17 after the use of enhanced recovery methods shall not exceed one
18 percent (1%) by volume. The exemption authorized by this paragraph
19 shall be applicable only to the state sales tax rate and shall not
20 be applicable to any county or municipal sales tax rate;

21 36. Sales of intrastate charter and tour bus transportation.
22 As used in this paragraph, "intrastate charter and tour bus
23 transportation" means the transportation of persons from one
24 location in this state to another location in this state in a motor

1 vehicle which has been constructed in such a manner that it may
2 lawfully carry more than eighteen persons, and which is ordinarily
3 used or rented to carry persons for compensation. Provided, this
4 exemption shall not apply to regularly scheduled bus transportation
5 for the general public;

6 37. Sales of vitamins, minerals, and dietary supplements by a
7 licensed chiropractor to a person who is the patient of such
8 chiropractor at the physical location where the chiropractor
9 provides chiropractic care or services to such patient. The
10 provisions of this paragraph shall not be applicable to any drug,
11 medicine, or substance for which a prescription by a licensed
12 physician is required;

13 38. Sales of goods, wares, merchandise, tangible personal
14 property, machinery, and equipment to a web search portal located in
15 this state which derives at least eighty percent (80%) of its annual
16 gross revenue from the sale of a product or service to an out-of-
17 state buyer or consumer. For purposes of this paragraph, "web
18 search portal" means an establishment classified under North
19 American Industry Classification System (NAICS) code 519130 which
20 operates websites that use a search engine to generate and maintain
21 extensive databases of Internet addresses and content in an easily
22 searchable format;

23 39. Sales of tangible personal property consumed or
24 incorporated in the construction or expansion of a facility for a

1 corporation organized under Section 437 et seq. of Title 18 of the
2 Oklahoma Statutes as a rural electric cooperative. For purposes of
3 this paragraph, sales made to a contractor or subcontractor that has
4 previously entered into a contractual relationship with a rural
5 electric cooperative for construction or expansion of a facility
6 shall be considered sales made to a rural electric cooperative;

7 40. Sales of tangible personal property or services to a
8 business primarily engaged in the repair of consumer electronic
9 goods including, but not limited to, cell phones, compact disc
10 players, personal computers, MP3 players, digital devices for the
11 storage and retrieval of information through hard-wired or wireless
12 computer or Internet connections, if the devices are sold to the
13 business by the original manufacturer of such devices and the
14 devices are repaired, refitted or refurbished for sale by the entity
15 qualifying for the exemption authorized by this paragraph directly
16 to retail consumers or if the devices are sold to another business
17 entity for sale to retail consumers;

18 41. On or after July 1, 2019, and prior to July 1, 2024, sales
19 or leases of rolling stock when sold or leased by the manufacturer,
20 regardless of whether the purchaser is a public services corporation
21 engaged in business as a common carrier of property or passengers by
22 railway, for use or consumption by a common carrier directly in the
23 rendition of public service. For purposes of this paragraph,
24 "rolling stock" means locomotives, autocars, and railroad cars and

1 "sales or leases" includes railroad car maintenance and retrofitting
2 of railroad cars for their further use only on the railways;

3 42. Sales of gold, silver, platinum, palladium or other bullion
4 items such as coins and bars and legal tender of any nation, which
5 legal tender is sold according to its value as precious metal or as
6 an investment. As used in the paragraph, "bullion" means any
7 precious metal including, but not limited to, gold, silver,
8 platinum, and palladium, that is in such a state or condition that
9 its value depends upon its precious metal content and not its form.
10 The exemption authorized by this paragraph shall not apply to
11 fabricated metals that have been processed or manufactured for
12 artistic use or as jewelry;

13 43. Recovery fees on the rental charge from any item of heavy
14 equipment property rental as provided for in Section 2807.11 of this
15 title; ~~and~~

16 44. Sales of firearm safety devices and gun safety devices. As
17 used in this paragraph:

18 a. "firearm safety device" means a gun safe, gun case,
19 gun lock box, trigger lock, barrel lock, or other
20 device that is designed to be used to store a firearm
21 and that is designed to be unlocked only by means of a
22 key, combination, or other similar means, and

23 b. "gun safety device" means any integral device to be
24 equipped or installed on a firearm that permits a user

1 to program the firearm to operate only for specified
2 persons designated by the user through computerized
3 locking devices or other means integral to and
4 permanently part of the firearm; and

5 45. Sales of tangible personal property or services made by a
6 business that is owned and operated primarily by one or more
7 individuals who have not attained eighteen (18) years of age,
8 conducting such business as a sole proprietorship and not through
9 any other legal entity, shall be exempt from the tax levied by the
10 Oklahoma Sales Tax Code, so long as:

11 a. the business receives only limited assistance from
12 adults in the form of supervision, transportation,
13 safety oversight, or other incidental support that
14 does not constitute material management or operation
15 of the business,

16 b. the business generates gross revenue of less than One
17 Thousand Dollars (\$1,000.00) during the calendar year,
18 and

19 c. the business operates only on private property with
20 the consent of the owner or lawful possessor of the
21 property, or as part of a community event that
22 separately registers youth vendors.

1 This exemption shall not apply if an adult exercises primary
2 control over the business decisions, management, or operations, or
3 if the business is materially operated for the benefit of any adult.

4 SECTION 3. AMENDATORY 68 O.S. 2021, Section 2358, as
5 last amended by Section 1, Chapter 166, O.S.L. 2024 (68 O.S. Supp.
6 2025, Section 2358), is amended to read as follows:

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

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

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

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

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

1 a. For carryovers and carrybacks to taxable years
2 beginning before January 1, 1981, the amount of any
3 net operating loss deduction allowed to a taxpayer for
4 federal income tax purposes shall be reduced to an
5 amount which is the same portion thereof as the loss
6 from sources within this state, as determined pursuant
7 to this section and Section 2362 of this title, for
8 the taxable year in which such loss is sustained is of
9 the total loss for such year;

10 b. For carryovers and carrybacks to taxable years
11 beginning after December 31, 1980, the amount of any
12 net operating loss deduction allowed for the taxable
13 year shall be an amount equal to the aggregate of the
14 Oklahoma net operating loss carryovers and carrybacks
15 to such year. Oklahoma net operating losses shall be
16 separately determined by reference to Section 172 of
17 the Internal Revenue Code, 26 U.S.C., Section 172, as
18 modified by the Oklahoma Income Tax Act, Section 2351
19 et seq. of this title, and shall be allowed without
20 regard to the existence of a federal net operating
21 loss. For tax years beginning after December 31,
22 2000, and ending before January 1, 2008, the years to
23 which such losses may be carried shall be determined
24 solely by reference to Section 172 of the Internal

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

20 For purposes of this paragraph:

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

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

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

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

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

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

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

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

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

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

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

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

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

6 12. For tax year 2025 and subsequent tax years, an employer
7 providing paid leave to an employee for the purpose of volunteering
8 as a poll worker with a county election board in this state shall
9 receive an exemption from taxable income in the amount of One
10 Hundred Dollars (\$100.00) for each day of leave provided in the tax
11 year. The employer shall provide documentation from the applicable
12 county election board showing the employee volunteered, upon request
13 of the Oklahoma Tax Commission.

14 B. 1. The taxable income of any corporation shall be further
15 adjusted to arrive at Oklahoma taxable income, except those
16 corporations electing treatment as provided in subchapter S of the
17 Internal Revenue Code, 26 U.S.C., Section 1361 et seq., and Section
18 2365 of this title, deductions pursuant to the provisions of the
19 Accelerated Cost Recovery System as defined and allowed in the
20 Economic Recovery Tax Act of 1981, Public Law 97-34, 26 U.S.C.,
21 Section 168, for depreciation of assets placed into service after
22 December 31, 1981, shall not be allowed in calculating Oklahoma
23 taxable income. Such corporations shall be allowed a deduction for
24 depreciation of assets placed into service after December 31, 1981,

1 in accordance with provisions of the Internal Revenue Code, 26
2 U.S.C., Section 1 et seq., in effect immediately prior to the
3 enactment of the Accelerated Cost Recovery System. The Oklahoma tax
4 basis for all such assets placed into service after December 31,
5 1981, calculated in this section shall be retained and utilized for
6 all Oklahoma income tax purposes through the final disposition of
7 such assets.

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

13 For assets placed in service and held by a corporation in which
14 the Accelerated Cost Recovery System was previously disallowed, an
15 adjustment to taxable income is required in the first taxable year
16 beginning after December 31, 1982, to reconcile the basis of such
17 assets to the basis allowed in the Internal Revenue Code. The
18 purpose of this adjustment is to equalize the basis and allowance
19 for depreciation accounts between that reported to the Internal
20 Revenue Service and that reported to this state.

21 2. For tax years beginning on or after January 1, 2009, and
22 ending on or before December 31, 2009, there shall be added to
23 Oklahoma taxable income any amount in excess of One Hundred Seventy-
24 five Thousand Dollars (\$175,000.00) which has been deducted as a

1 small business expense under Internal Revenue Code, Section 179 as
2 provided in the American Recovery and Reinvestment Act of 2009.

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

17 2. For purposes of this subsection:

18 a. "Qualified small business" means an entity, whether
19 organized as a corporation, partnership, or
20 proprietorship, organized for profit with its
21 principal place of business located within this state
22 and which meets the following criteria:

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

1 (2) Having at least fifty percent (50%) of its
2 employees and assets located in this state at the
3 time of the transfer, and

4 (3) Not a subsidiary or affiliate of the transferor
5 corporation;

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

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

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

16 D. 1. For taxable years beginning after December 31, 2005, the
17 taxable income of any corporation, estate or trust, shall be further
18 adjusted for qualifying gains receiving capital treatment. Such
19 corporations, estates or trusts shall be allowed a deduction from
20 Oklahoma taxable income for the amount of qualifying gains receiving
21 capital treatment earned by the corporation, estate or trust during
22 the taxable year and included in the federal taxable income of such
23 corporation, estate or trust.

24 2. As used in this subsection:

1 a. "qualifying gains receiving capital treatment" means
2 the amount of net capital gains, as defined in Section
3 1222(11) of the Internal Revenue Code, included in the
4 federal income tax return of the corporation, estate
5 or trust that result from:

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

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

21 (3) the sale of real property, tangible personal
22 property or intangible personal property located
23 within this state as part of the sale of all or
24 substantially all of the assets of an Oklahoma

1 company, limited liability company, or
2 partnership where such property has been directly
3 or indirectly owned by such entity owned by the
4 owners of such entity, and used in or derived
5 from such entity for a period of at least three
6 (3) years prior to the date of the transaction
7 from which the net capital gains arise,

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

14 c. "Oklahoma company", "limited liability company", or
15 "partnership" means an entity whose primary
16 headquarters have been located in this state for at
17 least three (3) uninterrupted years prior to the date
18 of the transaction from which the net capital gains
19 arise,

20 d. "direct" means the taxpayer directly owns the asset,
21 and

22 e. "indirect" means the taxpayer owns an interest in a
23 pass-through entity (or chain of pass-through
24

1 entities) that sells the asset that gives rise to the
2 qualifying gains receiving capital treatment.

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

16 (2) With respect to sales of stock or ownership
17 interest in or sales of all or substantially all
18 of the assets of an Oklahoma company, limited
19 liability company, or partnership, the deduction
20 described in this subsection shall not apply
21 unless the pass-through entity that makes the
22 sale has held the stock or ownership interest or
23 the assets for not less than three (3)
24 uninterrupted years prior to the date of the

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

7 E. The Oklahoma adjusted gross income of any individual
8 taxpayer shall be further adjusted as follows to arrive at Oklahoma
9 taxable income:

10 1. a. In the case of individuals, there shall be added or
11 deducted, as the case may be, the difference necessary
12 to allow personal exemptions of One Thousand Dollars
13 (\$1,000.00) in lieu of the personal exemptions allowed
14 by the Internal Revenue Code.

15 b. There shall be allowed an additional exemption of One
16 Thousand Dollars (\$1,000.00) for each taxpayer or
17 spouse who is blind at the close of the tax year. For
18 purposes of this subparagraph, an individual is blind
19 only if the central visual acuity of the individual
20 does not exceed 20/200 in the better eye with
21 correcting lenses, or if the visual acuity of the
22 individual is greater than 20/200, but is accompanied
23 by a limitation in the fields of vision such that the
24

1 widest diameter of the visual field subtends an angle
2 no greater than twenty (20) degrees.

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

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

19 Provided, for taxable years beginning after December
20 31, 1999, amounts included in the calculation of
21 federal adjusted gross income pursuant to the
22 conversion of a traditional individual retirement
23 account to a Roth individual retirement account shall
24 be excluded from federal adjusted gross income for

1 purposes of the income thresholds provided in this
2 subparagraph.

3 2. a. For taxable years beginning on or before December 31,
4 2005, in the case of individuals who use the standard
5 deduction in determining taxable income, there shall
6 be added or deducted, as the case may be, the
7 difference necessary to allow a standard deduction in
8 lieu of the standard deduction allowed by the Internal
9 Revenue Code, in an amount equal to the larger of
10 fifteen percent (15%) of the Oklahoma adjusted gross
11 income or One Thousand Dollars (\$1,000.00), but not to
12 exceed Two Thousand Dollars (\$2,000.00), except that
13 in the case of a married individual filing a separate
14 return such deduction shall be the larger of fifteen
15 percent (15%) of such Oklahoma adjusted gross income
16 or Five Hundred Dollars (\$500.00), but not to exceed
17 the maximum amount of One Thousand Dollars
18 (\$1,000.00).

19 b. For taxable years beginning on or after January 1,
20 2006, and before January 1, 2007, in the case of
21 individuals who use the standard deduction in
22 determining taxable income, there shall be added or
23 deducted, as the case may be, the difference necessary
24 to allow a standard deduction in lieu of the standard

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

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

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

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

15 (1) Five Thousand Five Hundred Dollars (\$5,500.00),
16 if the filing status is married filing joint or
17 qualifying widow; or

18 (2) Four Thousand One Hundred Twenty-five Dollars
19 (\$4,125.00) for a head of household; or

20 (3) Two Thousand Seven Hundred Fifty Dollars
21 (\$2,750.00), if the filing status is single or
22 married filing separate.

23 d. For the taxable year beginning on January 1, 2008, and
24 ending December 31, 2008, in the case of individuals

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

- 6 (1) Six Thousand Five Hundred Dollars (\$6,500.00), if
7 the filing status is married filing joint or
8 qualifying widow, or
9 (2) Four Thousand Eight Hundred Seventy-five Dollars
10 (\$4,875.00) for a head of household, or
11 (3) Three Thousand Two Hundred Fifty Dollars
12 (\$3,250.00), if the filing status is single or
13 married filing separate.

14 e. For the taxable year beginning on January 1, 2009, and
15 ending December 31, 2009, 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) Eight Thousand Five Hundred Dollars (\$8,500.00),
22 if the filing status is married filing joint or
23 qualifying widow, or
24

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

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

9 f. For taxable years beginning on or after January 1,
10 2010, and ending on December 31, 2016, in the case of
11 individuals who use the standard deduction in
12 determining taxable income, there shall be added or
13 deducted, as the case may be, the difference necessary
14 to allow a standard deduction equal to the standard
15 deduction allowed by the Internal Revenue Code, based
16 upon the amount and filing status prescribed by such
17 Code for purposes of filing federal individual income
18 tax returns.

19 g. For taxable years beginning on or after January 1,
20 2017, in the case of individuals who use the standard
21 deduction in determining taxable income, there shall
22 be added or deducted, as the case may be, the
23 difference necessary to allow a standard deduction in
24

1 lieu of the standard deduction allowed by the Internal
2 Revenue Code, as follows:

3 (1) Six Thousand Three Hundred Fifty Dollars
4 (\$6,350.00) for single or married filing
5 separately,

6 (2) Twelve Thousand Seven Hundred Dollars
7 (\$12,700.00) for married filing jointly or
8 qualifying widower with dependent child, and

9 (3) Nine Thousand Three Hundred Fifty Dollars
10 (\$9,350.00) for head of household.

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

1 exemptions shall be subject to proration as provided
2 by law.

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

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

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

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

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

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

20 (2) absence from this state while on active duty; or

21 (3) confinement in a hospital within the United
22 States for treatment of wounds, injuries or
23 disease,
24

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

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

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

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

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

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

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

22 c. For the purpose of this paragraph, "federal income
23 taxes paid" shall mean federal income taxes, surtaxes
24 imposed on incomes or excess profits taxes, as though

1 the taxpayer was on the accrual basis. In determining
2 the amount of deduction for federal income taxes for
3 tax year 2001, the amount of the deduction shall not
4 be adjusted by the amount of any accelerated ten
5 percent (10%) tax rate bracket credit or advanced
6 refund of the credit received during the tax year
7 provided pursuant to the federal Economic Growth and
8 Tax Relief Reconciliation Act of 2001, P.L. No. 107-
9 16, and the advanced refund of such credit shall not
10 be subject to taxation.

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

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

1 Uniform Retirement System for Justices and Judges, the Oklahoma
2 Wildlife Conservation Department Retirement Fund, the Oklahoma
3 Employment Security Commission Retirement Plan, or the employee
4 retirement systems created by municipalities pursuant to Section 48-
5 101 et seq. of Title 11 of the Oklahoma Statutes shall be exempt
6 from taxable income.

7 9. In taxable years beginning after December 31, 1984, Social
8 Security benefits received by an individual shall be exempt from
9 taxable income, to the extent such benefits are included in the
10 federal adjusted gross income pursuant to the provisions of Section
11 86 of the Internal Revenue Code, 26 U.S.C., Section 86.

12 10. For taxable years beginning after December 31, 1994, lump-
13 sum distributions from employer plans of deferred compensation,
14 which are not qualified plans within the meaning of Section 401(a)
15 of the Internal Revenue Code, 26 U.S.C., Section 401(a), and which
16 are deposited in and accounted for within a separate bank account or
17 brokerage account in a financial institution within this state,
18 shall be excluded from taxable income in the same manner as a
19 qualifying rollover contribution to an individual retirement account
20 within the meaning of Section 408 of the Internal Revenue Code, 26
21 U.S.C., Section 408. Amounts withdrawn from such bank or brokerage
22 account, including any earnings thereon, shall be included in
23 taxable income when withdrawn in the same manner as withdrawals from
24

1 individual retirement accounts within the meaning of Section 408 of
2 the Internal Revenue Code.

3 11. In taxable years beginning after December 31, 1995,
4 contributions made to and interest received from a medical savings
5 account established pursuant to Sections 2621 through 2623 of Title
6 63 of the Oklahoma Statutes shall be exempt from taxable income.

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

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

- 22 (1) the adoption of a minor, or
23 (2) a proposed adoption of a minor which did not
24 result in a decreed adoption,

1 may be deducted from the Oklahoma adjusted gross
2 income.

3 b. The deductions for adoptions and proposed adoptions
4 authorized by this paragraph shall not exceed Twenty
5 Thousand Dollars (\$20,000.00) per calendar year.

6 c. The Tax Commission shall promulgate rules to implement
7 the provisions of this paragraph which shall contain a
8 specific list of nonrecurring adoption expenses which
9 may be presumed to qualify for the deduction. The Tax
10 Commission shall prescribe necessary requirements for
11 verification.

12 d. "Nonrecurring adoption expenses" means adoption fees,
13 court costs, medical expenses, attorney fees and
14 expenses which are directly related to the legal
15 process of adoption of a child including, but not
16 limited to, costs relating to the adoption study,
17 health and psychological examinations, transportation
18 and reasonable costs of lodging and food for the child
19 or adoptive parents which are incurred to complete the
20 adoption process and are not reimbursed by other
21 sources. The term nonrecurring adoption expenses
22 shall not include attorney fees incurred for the
23 purpose of litigating a contested adoption, from and
24 after the point of the initiation of the contest,

1 costs associated with physical remodeling, renovation
2 and alteration of the adoptive parents' home or
3 property, except for a special needs child as
4 authorized by the court.

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

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

23 (1) in taxable years beginning after December 31,
24 2004, and prior to January 1, 2007, the

1 qualifying amount shall be Thirty-seven Thousand
2 Five Hundred Dollars (\$37,500.00) or less if the
3 filing status is single, head of household, or
4 married filing separate, or Seventy-five Thousand
5 Dollars (\$75,000.00) or less if the filing status
6 is married filing jointly or qualifying widow,

7 (2) in the taxable year beginning January 1, 2007,
8 the qualifying amount shall be Fifty Thousand
9 Dollars (\$50,000.00) or less if the filing status
10 is single, head of household, or married filing
11 separate, or One Hundred Thousand Dollars
12 (\$100,000.00) or less if the filing status is
13 married filing jointly or qualifying widow,

14 (3) in the taxable year beginning January 1, 2008,
15 the qualifying amount shall be Sixty-two Thousand
16 Five Hundred Dollars (\$62,500.00) or less if the
17 filing status is single, head of household, or
18 married filing separate, or One Hundred Twenty-
19 five Thousand Dollars (\$125,000.00) or less if
20 the filing status is married filing jointly or
21 qualifying widow,

22 (4) in the taxable year beginning January 1, 2009,
23 the qualifying amount shall be One Hundred
24 Thousand Dollars (\$100,000.00) or less if the

1 filing status is single, head of household, or
2 married filing separate, or Two Hundred Thousand
3 Dollars (\$200,000.00) or less if the filing
4 status is married filing jointly or qualifying
5 widow, and

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

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

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

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

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

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

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

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

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.

24

1 26. a. For taxable years beginning on or after January 1,
2 2027, there shall be exempt from Oklahoma adjusted
3 gross income One Thousand Dollars (\$1,000.00) derived
4 from any lawful business activity conducted by a
5 person less than eighteen (18) years of age,
6 conducting the business as a sole proprietor and not
7 through any other business entity or other legal
8 entity.

9 b. The exemption provided for in this paragraph shall
10 apply only to a business that is owned and operated
11 primarily by one or more individuals who have not
12 attained eighteen (18) years of age, which may receive
13 only limited assistance from adults in the nature of
14 supervision, transportation, safety oversight, or
15 other incidental support that does not constitute
16 material management or operation of the business. The
17 business shall not be eligible for the exemption if
18 any adult exercises primary control over business
19 decisions, management, or operations, or if the
20 business is materially operated for the benefit of an
21 adult.

22 c. To qualify for the exemption provided by this
23 paragraph, the business activity shall:
24

- 1 (1) generate gross revenue of less than One Thousand
2 Dollars (\$1,000.00) during the calendar year, and
3 (2) be operated only on private property with the
4 consent of the owner or lawful possessor of the
5 property, or as part of a community event that
6 separately registers youth vendors.

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

12 2. As used in this subsection:

13 a. "qualifying gains receiving capital treatment" means
14 the amount of net capital gains, as defined in Section
15 1222(11) of the Internal Revenue Code, included in an
16 individual taxpayer's federal income tax return that
17 result from:

- 18 (1) the sale of real property or tangible personal
19 property located within this state that has been
20 directly or indirectly owned by the individual
21 taxpayer for a holding period of at least five
22 (5) years prior to the date of the transaction
23 from which such net capital gains arise,

1 (2) the sale of stock or the sale of a direct or
2 indirect ownership interest in an Oklahoma
3 company, limited liability company, or
4 partnership where such stock or ownership
5 interest has been directly or indirectly owned by
6 the individual taxpayer for a holding period of
7 at least two (2) years prior to the date of the
8 transaction from which the net capital gains
9 arise, or

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

23 b. "holding period" means an uninterrupted period of
24 time. The holding period shall include any additional

1 period when the property was held by another
2 individual or entity, if such additional period is
3 included in the taxpayer's holding period for the
4 asset pursuant to the Internal Revenue Code,

5 c. "Oklahoma company," "limited liability company," or
6 "partnership" means an entity whose primary
7 headquarters have been located in this state for at
8 least three (3) uninterrupted years prior to the date
9 of the transaction from which the net capital gains
10 arise,

11 d. "direct" means the individual taxpayer directly owns
12 the asset,

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

17 (1) With respect to sales of real property or
18 tangible personal property located within this
19 state, the deduction described in this subsection
20 shall not apply unless the pass-through entity
21 that makes the sale has held the property for not
22 less than five (5) uninterrupted years prior to
23 the date of the transaction that created the
24 capital gain, and each pass-through entity

1 included in the chain of ownership has been a
2 member, partner, or shareholder of the pass-
3 through entity in the tier immediately below it
4 for an uninterrupted period of not less than five
5 (5) years.

6 (2) With respect to sales of stock or ownership
7 interest in or sales of all or substantially all
8 of the assets of an Oklahoma company, limited
9 liability company, partnership or Oklahoma
10 proprietorship business enterprise, the deduction
11 described in this subsection shall not apply
12 unless the pass-through entity that makes the
13 sale has held the stock or ownership interest for
14 not less than two (2) uninterrupted years prior
15 to the date of the transaction that created the
16 capital gain, and each pass-through entity
17 included in the chain of ownership has been a
18 member, partner or shareholder of the pass-
19 through entity in the tier immediately below it
20 for an uninterrupted period of not less than two
21 (2) years. For purposes of this division,
22 uninterrupted ownership prior to July 1, 2007,
23 shall be included in the determination of the
24

1 required holding period prescribed by this
2 division, and

3 f. "Oklahoma proprietorship business enterprise" means a
4 business enterprise whose income and expenses have
5 been reported on Schedule C or F of an individual
6 taxpayer's federal income tax return, or any similar
7 successor schedule published by the Internal Revenue
8 Service and whose primary headquarters have been
9 located in this state for at least three (3)
10 uninterrupted years prior to the date of the
11 transaction from which the net capital gains arise.

12 G. 1. For purposes of computing its Oklahoma taxable income
13 under this section, the dividends-paid deduction otherwise allowed
14 by federal law in computing net income of a real estate investment
15 trust that is subject to federal income tax shall be added back in
16 computing the tax imposed by this state under this title if the real
17 estate investment trust is a captive real estate investment trust.

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

1 a. the term "real estate investment trust" or "REIT"
2 means the meaning ascribed to such term in Section 856
3 of the Internal Revenue Code,

4 b. the term "captive real estate investment trust" means
5 a real estate investment trust, the shares or
6 beneficial interests of which are not regularly traded
7 on an established securities market and more than
8 fifty percent (50%) of the voting power or value of
9 the beneficial interests or shares of which are owned
10 or controlled, directly or indirectly, or
11 constructively, by a single entity that is:

- 12 (1) treated as an association taxable as a
13 corporation under the Internal Revenue Code, and
14 (2) not exempt from federal income tax pursuant to
15 the provisions of Section 501(a) of the Internal
16 Revenue Code.

17 The term shall not include a real estate investment
18 trust that is intended to be regularly traded on an
19 established securities market, and that satisfies the
20 requirements of Section 856(a)(5) and (6) of the U.S.
21 Internal Revenue Code by reason of Section 856(h)(2)
22 of the Internal Revenue Code,

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

- 1 (1) any real estate investment trust as defined in
2 paragraph a of this subsection other than a
3 captive real estate investment trust, or
- 4 (2) any qualified real estate investment trust
5 subsidiary under Section 856(i) of the Internal
6 Revenue Code, other than a qualified REIT
7 subsidiary of a captive real estate investment
8 trust, or
- 9 (3) any listed Australian property trust (meaning an
10 Australian unit trust registered as a "managed
11 investment scheme" under the Australian
12 Corporations Act 2001 in which the principal
13 class of units is listed on a recognized stock
14 exchange in Australia and is regularly traded on
15 an established securities market), or an entity
16 organized as a trust, provided that a listed
17 Australian property trust owns or controls,
18 directly or indirectly, seventy-five percent
19 (75%) or more of the voting power or value of the
20 beneficial interests or shares of such trust, or
- 21 (4) any qualified foreign entity, meaning a
22 corporation, trust, association or partnership
23 organized outside the laws of the United States
24 and which satisfies the following criteria:

- 1 (a) at least seventy-five percent (75%) of the
2 entity's total asset value at the close of
3 its taxable year is represented by real
4 estate assets, as defined in Section
5 856(c) (5) (B) of the Internal Revenue Code,
6 thereby including shares or certificates of
7 beneficial interest in any real estate
8 investment trust, cash and cash equivalents,
9 and U.S. Government securities,
- 10 (b) the entity receives a dividend-paid
11 deduction comparable to Section 561 of the
12 Internal Revenue Code, or is exempt from
13 entity level tax,
- 14 (c) the entity is required to distribute at
15 least eighty-five percent (85%) of its
16 taxable income, as computed in the
17 jurisdiction in which it is organized, to
18 the holders of its shares or certificates of
19 beneficial interest on an annual basis,
- 20 (d) not more than ten percent (10%) of the
21 voting power or value in such entity is held
22 directly or indirectly or constructively by
23 a single entity or individual, or the shares
24 or beneficial interests of such entity are

1 regularly traded on an established
2 securities market, and

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

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

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

1 SECTION 4. NEW LAW A new section of law to be codified
2 in the Oklahoma Statutes as Section 20001 of Title 74, unless there
3 is created a duplication in numbering, reads as follows:

4 No person conducting a business as a sole proprietor who is less
5 than eighteen (18) years of age shall be required to obtain a
6 business license from any entity of state or local government and
7 the person shall not be subject to any fine or penalty as a result
8 of conducting such business for a period not in excess of ninety
9 (90) days during a calendar year; provided such person performing
10 work regulated by Title 59 of the Oklahoma Statutes or any other
11 applicable law in the Oklahoma Statutes shall comply with all
12 Oklahoma licensing and registration laws, including holding a
13 current license or registration in good standing.

14 SECTION 5. This act shall become effective November 1, 2026.

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