

STATE OF OKLAHOMA

1st Session of the 60th Legislature (2025)

COMMITTEE SUBSTITUTE  
FOR

HOUSE BILL NO. 2646

By: Fetgatter

COMMITTEE SUBSTITUTE

[ revenue - taxation - adjustments - wagering - tax  
year - language - reference - effective date ]

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

SECTION 1. AMENDATORY 68 O.S. 2021, Section 2358, as  
last amended by Section 155, Chapter 452, O.S.L. 2024 (68 O.S. Supp.  
2024, Section 2358), is amended to read as follows:

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

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

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

9       2. There shall be deducted amounts included in such income that  
10 the state is prohibited from taxing because of the provisions of the  
11 ~~Federal~~ United States Constitution, the ~~State~~ Oklahoma Constitution,  
12 federal laws or laws of Oklahoma.

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

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

b. For carryovers and carrybacks to taxable years beginning after December 31, 1980, the amount of any net operating loss deduction allowed for the taxable year shall be an amount equal to the aggregate of the Oklahoma net operating loss carryovers and carrybacks to such year. Oklahoma net operating losses shall be separately determined by reference to Section 172 of the Internal Revenue Code of 1986, as amended, 26 U.S.C., Section 172, as modified by the Oklahoma Income Tax Act, Section 2351 et seq. of this title, and shall be allowed without regard to the existence of a federal net operating loss. For tax years beginning after December 31, 2000, and ending before January 1, 2008, the years to which such losses may be carried shall be determined solely by reference to Section 172 of the Internal Revenue Code of 1986, as amended, 26 U.S.C., Section 172, with the exception that the terms "net operating loss" and "taxable income" shall be replaced with "Oklahoma net operating loss" and "Oklahoma taxable income". For tax years beginning after December 31, 2007, and ending before January 1, 2009, years to which such losses may be carried back shall be limited to two (2) years. For tax years beginning after December 31, 2008, the years

1 to which such losses may be carried back shall be  
2 determined solely by reference to Section 172 of the  
3 Internal Revenue Code of 1986, as amended, 26 U.S.C.,  
4 Section 172, with the exception that the terms "net  
5 operating loss" and "taxable income" shall be replaced  
6 with "Oklahoma net operating loss" and "Oklahoma  
7 taxable income".

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

13 a. Income from real and tangible personal property, such  
14 as rents, oil and mining production or royalties, and  
15 gains or losses from sales of such property, shall be  
16 allocated in accordance with the situs of such  
17 property;

18 b. Income from intangible personal property, such as  
19 interest, dividends, patent or copyright royalties,  
20 and gains or losses from sales of such property, shall  
21 be allocated in accordance with the domiciliary situs  
22 of the taxpayer, except that:

23 (1) where such property has acquired a nonunitary  
24 business or commercial situs apart from the

1 domicile of the taxpayer such income shall be  
2 allocated in accordance with such business or  
3 commercial situs; interest income from  
4 investments held to generate working capital for  
5 a unitary business enterprise shall be included  
6 in apportionable income; a resident trust or  
7 resident estate shall be treated as having a  
8 separate commercial or business situs insofar as  
9 undistributed income is concerned, but shall not  
10 be treated as having a separate commercial or  
11 business situs insofar as distributed income is  
12 concerned,

13 (2) for taxable years beginning after December 31,  
14 2003, capital or ordinary gains or losses from  
15 the sale of an ownership interest in a publicly  
16 traded partnership, as defined by Section 7704(b)  
17 of the Internal Revenue Code of 1986, as amended,  
18 shall be allocated to this state in the ratio of  
19 the original cost of such partnership's tangible  
20 property in this state to the original cost of  
21 such partnership's tangible property everywhere,  
22 as determined at the time of the sale; if more  
23 than fifty percent (50%) of the value of the  
24 partnership's assets consists of intangible

1           assets, capital or ordinary gains or losses from  
2           the sale of an ownership interest in the  
3           partnership shall be allocated to this state in  
4           accordance with the sales factor of the  
5           partnership for its first full tax period  
6           immediately preceding its tax period during which  
7           the ownership interest in the partnership was  
8           sold; the provisions of this division shall only  
9           apply if the capital or ordinary gains or losses  
10          from the sale of an ownership interest in a  
11          partnership do not constitute qualifying gain  
12          receiving capital treatment as defined in  
13          subparagraph a of paragraph 2 of subsection F of  
14          this section,

15          (3) income from such property which is required to be  
16               allocated pursuant to the provisions of paragraph  
17               5 of this subsection shall be allocated as herein  
18               provided;

19          c. Net income or loss from a business activity which is  
20               not a part of business carried on within or without  
21               the state of a unitary character shall be separately  
22               allocated to the state in which such activity is  
23               conducted;

1           d.    In the case of a manufacturing or processing  
2               enterprise the business of which in ~~Oklahoma~~ this  
3               state consists solely of marketing its products by:  
4               (1)   sales having a situs without this state, shipped  
5                    directly to a point from without the state to a  
6                    purchaser within the state, commonly known as  
7                    interstate sales,  
8               (2)   sales of the product stored in public warehouses  
9                    within the state pursuant to "in transit"  
10                  tariffs, as prescribed and allowed by the  
11                  Interstate Commerce Commission, to a purchaser  
12                  within the state,  
13               (3)   sales of the product stored in public warehouses  
14                    within the state where the shipment to such  
15                    warehouses is not covered by "in transit"  
16                    tariffs, as prescribed and allowed by the  
17                    Interstate Commerce Commission, to a purchaser  
18                    within or without the state,  
19               the Oklahoma net income shall, at the option of the  
20               taxpayer, be that portion of the total net income of  
21               the taxpayer for federal income tax purposes derived  
22               from the manufacture and/or processing and sales  
23               everywhere as determined by the ratio of the sales  
24               defined in this section made to the purchaser within

1 the state to the total sales everywhere. The term  
2 "public warehouse" as used in this subparagraph means  
3 a licensed public warehouse, the principal business of  
4 which is warehousing merchandise for the public;

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

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



1 by the National Association of Insurance  
2 Commissioners, or such other form as may be  
3 prescribed in lieu thereof,

4 (2) if the principal source of premiums written by an  
5 insurance company consists of premiums for  
6 reinsurance accepted by it, the taxable income of  
7 such company shall be apportioned to this state  
8 by multiplying such income by a fraction, the  
9 numerator of which is the sum of (a) direct  
10 premiums written for insurance on property or  
11 risks in this state, plus (b) premiums written  
12 for reinsurance accepted in respect of property  
13 or risks in this state, and the denominator of  
14 which is the sum of (c) direct premiums written  
15 for insurance on property or risks everywhere,  
16 plus (d) premiums written for reinsurance  
17 accepted in respect of property or risks  
18 everywhere. For purposes of this paragraph,  
19 premiums written for reinsurance accepted in  
20 respect of property or risks in this state,  
21 whether or not otherwise determinable, may at the  
22 election of the company be determined on the  
23 basis of the proportion which premiums written  
24 for insurance accepted from companies

1                   commercially domiciled in ~~Oklahoma~~ this state  
2                   bears to premiums written for reinsurance  
3                   accepted from all sources, or alternatively in  
4                   the proportion which the sum of the direct  
5                   premiums written for insurance on property or  
6                   risks in this state by each ceding company from  
7                   which reinsurance is accepted bears to the sum of  
8                   the total direct premiums written by each such  
9                   ceding company for the taxable year.

10           5. The net income or loss remaining after the separate  
11 allocation in paragraph 4 of this subsection, being that which is  
12 derived from a unitary business enterprise, shall be apportioned to  
13 this state on the basis of the arithmetical average of three factors  
14 consisting of property, payroll and sales or gross revenue  
15 enumerated as subparagraphs a, b and c of this paragraph. Net  
16 income or loss as used in this paragraph includes that derived from  
17 patent or copyright royalties, purchase discounts, and interest on  
18 accounts receivable relating to or arising from a business activity,  
19 the income from which is apportioned pursuant to this subsection,  
20 including the sale or other disposition of such property and any  
21 other property used in the unitary enterprise. Deductions used in  
22 computing such net income or loss shall not include taxes based on  
23 or measured by income. Provided, for corporations whose property  
24 for purposes of the tax imposed by Section 2355 of this title has an

1 initial investment cost equaling or exceeding Two Hundred Million  
2 Dollars (\$200,000,000.00) and such investment is made on or after  
3 July 1, 1997, or for corporations which expand their property or  
4 facilities in this state and such expansion has an investment cost  
5 equaling or exceeding Two Hundred Million Dollars (\$200,000,000.00)  
6 over a period not to exceed three (3) years, and such expansion is  
7 commenced on or after January 1, 2000, the three factors shall be  
8 apportioned with property and payroll, each comprising twenty-five  
9 percent (25%) of the apportionment factor and sales comprising fifty  
10 percent (50%) of the apportionment factor. The apportionment  
11 factors shall be computed as follows:

12           a. The property factor is a fraction, the numerator of  
13               which is the average value of the taxpayer's real and  
14               tangible personal property owned or rented and used in  
15               this state during the tax period and the denominator  
16               of which is the average value of all the taxpayer's  
17               real and tangible personal property everywhere owned  
18               or rented and used during the tax period.

19               (1) Property, the income from which is separately  
20               allocated in paragraph 4 of this subsection,  
21               shall not be included in determining this  
22               fraction. The numerator of the fraction shall  
23               include a portion of the investment in  
24               transportation and other equipment having no

1 fixed situs, such as rolling stock, buses, trucks  
2 and trailers, including machinery and equipment  
3 carried thereon, airplanes, salespersons'  
4 automobiles and other similar equipment, in the  
5 proportion that miles traveled in ~~Oklahoma~~ this  
6 state by such equipment bears to total miles  
7 traveled,

8 (2) Property owned by the taxpayer is valued at its  
9 original cost. Property rented by the taxpayer  
10 is valued at eight times the net annual rental  
11 rate. Net annual rental rate is the annual  
12 rental rate paid by the taxpayer, less any annual  
13 rental rate received by the taxpayer from  
14 subrentals,

15 (3) The average value of property shall be determined  
16 by averaging the values at the beginning and  
17 ending of the tax period but the Oklahoma Tax  
18 Commission may require the averaging of monthly  
19 values during the tax period if reasonably  
20 required to reflect properly the average value of  
21 the taxpayer's property;

22 b. The payroll factor is a fraction, the numerator of  
23 which is the total compensation for services rendered  
24 in the state during the tax period, and the

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

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

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

c. The sales factor is a fraction, the numerator of which is the total sales or gross revenue of the taxpayer in

1           this state during the tax period, and the denominator  
2           of which is the total sales or gross revenue of the  
3           taxpayer everywhere during the tax period. "Sales",  
4           as used in this subsection, does not include sales or  
5           gross revenue which are separately allocated in  
6           paragraph 4 of this subsection.

7           (1) Sales of tangible personal property have a situs  
8           in this state if the property is delivered or  
9           shipped to a purchaser other than the United  
10          States government, within this state regardless  
11          of the ~~FOB~~ Freight on Board (FOB) point or other  
12          conditions of the sale; or the property is  
13          shipped from an office, store, warehouse, factory  
14          or other place of storage in this state and (a)  
15          the purchaser is the United States government or  
16          (b) the taxpayer is not doing business in the  
17          state of the destination of the shipment.

18          (2) In the case of a railroad or interurban railway  
19          enterprise, the numerator of the fraction shall  
20          not be less than the allocation of revenues to  
21          this state as shown in its annual report to the  
22          Corporation Commission.

23          (3) In the case of an airline, truck or bus  
24          enterprise or freight car, tank car, refrigerator

1 car or other railroad equipment enterprise, the  
2 numerator of the fraction shall include a portion  
3 of revenue from interstate transportation in the  
4 proportion that interstate mileage traveled in  
5 ~~Oklahoma~~ this state bears to total interstate  
6 mileage traveled.

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

22 (5) In the case of a telephone or telegraph or other  
23 communication enterprise, the numerator of the  
24 fraction shall include that portion of the

1 interstate revenue as is allocated pursuant to  
2 the accounting procedures prescribed by the  
3 Federal Communications Commission; provided that  
4 in respect to each corporation or business entity  
5 required by the Federal Communications Commission  
6 to keep its books and records in accordance with  
7 a uniform system of accounts prescribed by such  
8 Commission, the intrastate net income shall be  
9 determined separately in the manner provided by  
10 such uniform system of accounts and only the  
11 interstate income shall be subject to allocation  
12 pursuant to the provisions of this subsection.  
13 Provided further, that the gross revenue factors  
14 shall be those as are determined pursuant to the  
15 accounting procedures prescribed by the Federal  
16 Communications Commission.

17 In any case where the apportionment of the three factors  
18 prescribed in this paragraph attributes to ~~Oklahoma~~ this state a  
19 portion of net income of the enterprise out of all appropriate  
20 proportion to the property owned and/or business transacted within  
21 this state, because of the fact that one or more of the factors so  
22 prescribed are not employed to any appreciable extent in furtherance  
23 of the enterprise; or because one or more factors not so prescribed  
24 are employed to a considerable extent in furtherance of the



1 enterprise; or because of other reasons, the Tax Commission is  
2 empowered to permit, after a showing by taxpayer that an excessive  
3 portion of net income has been attributed to ~~Oklahoma~~ this state, or  
4 require, when in its judgment an insufficient portion of net income  
5 has been attributed to ~~Oklahoma~~ this state, the elimination,  
6 substitution, or use of additional factors, or reduction or increase  
7 in the weight of such prescribed factors. Provided, however, that  
8 any such variance from such prescribed factors which has the effect  
9 of increasing the portion of net income attributable to ~~Oklahoma~~  
10 this state must not be inherently arbitrary, and application of the  
11 recomputed final apportionment to the net income of the enterprise  
12 must attribute to ~~Oklahoma~~ this state only a reasonable portion  
13 thereof.

14 6. For calendar years 1997 and 1998, the owner of a new or  
15 expanded agricultural commodity processing facility in this state  
16 may exclude from Oklahoma taxable income, or in the case of an  
17 individual, the Oklahoma adjusted gross income, fifteen percent  
18 (15%) of the investment by the owner in the new or expanded  
19 agricultural commodity processing facility. For calendar year 1999,  
20 and all subsequent years, the percentage, not to exceed fifteen  
21 percent (15%), available to the owner of a new or expanded  
22 agricultural commodity processing facility in this state claiming  
23 the exemption shall be adjusted annually so that the total estimated  
24 reduction in tax liability does not exceed One Million Dollars

1 (\$1,000,000.00) annually. The Tax Commission shall promulgate rules  
2 for determining the percentage of the investment which each eligible  
3 taxpayer may exclude. The exclusion provided by this paragraph  
4 shall be taken in the taxable year when the investment is made. In  
5 the event the total reduction in tax liability authorized by this  
6 paragraph exceeds One Million Dollars (\$1,000,000.00) in any  
7 calendar year, the Tax Commission shall permit any excess over One  
8 Million Dollars (\$1,000,000.00) and shall factor such excess into  
9 the percentage for subsequent years. Any amount of the exemption  
10 permitted to be excluded pursuant to the provisions of this  
11 paragraph but not used in any year may be carried forward as an  
12 exemption from income pursuant to the provisions of this paragraph  
13 for a period not exceeding six (6) years following the year in which  
14 the investment was originally made.

15 For purposes of this paragraph:

16 a. "Agricultural commodity processing facility" means  
17 ~~building~~ buildings, structures, fixtures and  
18 improvements used or operated primarily for the  
19 processing or production of marketable products from  
20 agricultural commodities. The term shall also mean a  
21 dairy operation that requires a depreciable investment  
22 of at least Two Hundred Fifty Thousand Dollars  
23 (\$250,000.00) and which produces milk from dairy cows.  
24 The term does not include a facility that provides

- 1           only, and nothing more than, storage, cleaning, drying  
2           or transportation of agricultural commodities, and  
3       b.   "Facility" means each part of the facility which is  
4           used in a process primarily for:
- 5           (1)   the processing of agricultural commodities,  
6                 including receiving or storing agricultural  
7                 commodities, or the production of milk at a dairy  
8                 operation,
  - 9           (2)   transporting the agricultural commodities or  
10                product before, during or after the processing,  
11                or
  - 12           (3)   packaging or otherwise preparing the product for  
13                sale or shipment.

14       7.   Despite any provision to the contrary in paragraph 3 of this  
15   subsection, for taxable years beginning after December 31, 1999, in  
16   the case of a taxpayer which has a farming loss, such farming loss  
17   shall be considered a net operating loss carryback in accordance  
18   with and to the extent of the Internal Revenue Code of 1986, as  
19   amended, 26 U.S.C., Section ~~172(b)(G)~~ 172(b)(1)(B). However, the  
20   amount of the net operating loss carryback shall not exceed the  
21   lesser of:

- 22       a.   Sixty Thousand Dollars (\$60,000.00), or
- 23       b.   the loss properly shown on Schedule F of the Internal  
24            Revenue Service Form 1040 reduced by one-half (1/2) of

1           the income from all other sources other than reflected  
2           on Schedule F.

3           8. In taxable years beginning after December 31, 1995, all  
4 qualified wages equal to the federal income tax credit set forth in  
5 26 U.S.C.A., Section 45A, shall be deducted from taxable income.  
6 The deduction allowed pursuant to this paragraph shall only be  
7 permitted for the tax years in which the federal tax credit pursuant  
8 to 26 U.S.C.A., Section 45A, is allowed. For purposes of this  
9 paragraph, "qualified wages" means those wages used to calculate the  
10 federal credit pursuant to 26 U.S.C.A., Section 45A.

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

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

1 of the Internal Revenue Code of 1986 as amended by Section 1231 of  
2 the American Recovery and Reinvestment Act of 2009 (P.L. No. 111-5).

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

1       B. 1. The taxable income of any corporation shall be further  
2 adjusted to arrive at Oklahoma taxable income, except those  
3 corporations electing treatment as provided in subchapter S of the  
4 Internal Revenue Code of 1986, as amended, 26 U.S.C., Section 1361  
5 et seq., and Section 2365 of this title, deductions pursuant to the  
6 provisions of the Accelerated Cost Recovery System as ~~defined~~  
7 provided and allowed in the Economic Recovery Tax Act of 1981,  
8 Public Law 97-34, 26 U.S.C., Section 168, for depreciation of assets  
9 placed into service after December 31, 1981, shall not be allowed in  
10 calculating Oklahoma taxable income. Such corporations shall be  
11 allowed a deduction for depreciation of assets placed into service  
12 after December 31, 1981, in accordance with provisions of the  
13 Internal Revenue Code of 1986, as amended, 26 U.S.C., Section 1 et  
14 seq., in effect immediately prior to the enactment of the  
15 Accelerated Cost Recovery System. The Oklahoma tax basis for all  
16 such assets placed into service after December 31, 1981, calculated  
17 in this section shall be retained and utilized for all Oklahoma  
18 income tax purposes through the final disposition of such assets.

19       Notwithstanding any other provisions of the Oklahoma Income Tax  
20 Act, Section 2351 et seq. of this title, or of the Internal Revenue  
21 Code of 1986, as amended, to the contrary, this subsection shall  
22 control calculation of depreciation of assets placed into service  
23 after December 31, 1981, and before January 1, 1983.

1 For assets placed in service and held by a corporation in which  
2 ~~accelerated cost recovery system~~ the Accelerated Cost Recovery  
3 System was previously disallowed, an adjustment to taxable income is  
4 required in the first taxable year beginning after December 31,  
5 1982, to reconcile the basis of such assets to the basis allowed in  
6 the Internal Revenue Code of 1986, as amended. The purpose of this  
7 adjustment is to equalize the basis and allowance for depreciation  
8 accounts between that reported to the Internal Revenue Service and  
9 that reported to ~~Oklahoma~~ this state.

10 2. For tax years beginning on or after January 1, 2009, and  
11 ending on or before December 31, 2009, there shall be added to  
12 Oklahoma taxable income any amount in excess of One Hundred Seventy-  
13 five Thousand Dollars (\$175,000.00) which has been deducted as a  
14 small business expense under Internal Revenue Code of 1986, as  
15 amended, Section 179 as provided in the American Recovery and  
16 Reinvestment Act of 2009.

17 C. 1. For taxable years beginning after December 31, 1987, the  
18 taxable income of any corporation shall be further adjusted to  
19 arrive at Oklahoma taxable income for transfers of technology to  
20 qualified small businesses located in ~~Oklahoma~~ this state. Such  
21 transferor corporation shall be allowed an exemption from taxable  
22 income of an amount equal to the amount of royalty payment received  
23 as a result of such transfer; provided, however, such amount shall  
24 not exceed ten percent (10%) of the amount of gross proceeds

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

7 2. For purposes of this subsection:

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

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

15 (2) Having at least fifty percent (50%) of its  
16 employees and assets located in ~~Oklahoma~~ this  
17 state at the time of the transfer, and

18 (3) Not a subsidiary or affiliate of the transferor  
19 corporation;

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



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

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

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

15 2. As used in this subsection:

16 a. "qualifying gains receiving capital treatment" means  
17 the amount of net capital gains, as defined in Section  
18 1222(11) of the Internal Revenue Code of 1986, as  
19 amended, included in the federal income tax return of  
20 the corporation, estate or trust that result from:

21 (1) the sale of real property or tangible personal  
22 property located within ~~Oklahoma~~ this state that  
23 has been directly or indirectly owned by the  
24 corporation, estate or trust for a holding period

1 of at least five (5) years prior to the date of  
2 the transaction from which such net capital gains  
3 arise,

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

12 (3) the sale of real property, tangible personal  
13 property or intangible personal property located  
14 within ~~Oklahoma~~ this state as part of the sale of  
15 all or substantially all of the assets of an  
16 Oklahoma company, limited liability company, or  
17 partnership where such property has been directly  
18 or indirectly owned by such entity owned by the  
19 owners of such entity, and used in or derived  
20 from such entity for a period of at least three  
21 (3) years prior to the date of the transaction  
22 from which the net capital gains 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 of 1986,  
5 as amended,

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

12 d. "direct" means the taxpayer directly owns the asset,  
13 and

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

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

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

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

22 E. The Oklahoma adjusted gross income of any individual  
23 taxpayer shall be further adjusted as follows to arrive at Oklahoma  
24 taxable income:

1. a. In the case of individuals, there shall be added or deducted, as the case may be, the difference necessary to allow personal exemptions of One Thousand Dollars (\$1,000.00) in lieu of the personal exemptions allowed by the Internal Revenue Code of 1986, as amended.
- b. There shall be allowed an additional exemption of One Thousand Dollars (\$1,000.00) for each taxpayer or spouse who is blind at the close of the tax year. For purposes of this subparagraph, an individual is blind only if the central visual acuity of the individual does not exceed 20/200 in the better eye with correcting lenses, or if the visual acuity of the individual is greater than 20/200, but is accompanied by a limitation in the fields of vision such that the widest diameter of the visual field subtends an angle no greater than twenty (20) degrees.
- c. There shall be allowed an additional exemption of One Thousand Dollars (\$1,000.00) for each taxpayer or spouse who is sixty-five (65) years of age or older at the close of the tax year based upon the filing status and federal adjusted gross income of the taxpayer. Taxpayers with the following filing status may claim this exemption if the federal adjusted gross income does not exceed:

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

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

2. a. For taxable years beginning on or before December 31, 2005, in the case of individuals who use the standard deduction in determining taxable income, there shall be added or deducted, as the case may be, the difference necessary to allow a standard deduction in lieu of the standard deduction allowed by the Internal Revenue Code of 1986, as amended, in an amount equal to the larger of fifteen percent (15%) of the Oklahoma

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

9 b. For taxable years beginning on or after January 1,  
10 2006, and before January 1, 2007, 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 in lieu of the standard  
15 deduction allowed by the Internal Revenue Code of  
16 1986, as amended, in an amount equal to:

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

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

22 c. For the taxable year beginning on January 1, 2007, and  
23 ending December 31, 2007, in the case of individuals  
24 who use the standard deduction in determining taxable

1 income, there shall be added or deducted, as the case  
2 may be, the difference necessary to allow a standard  
3 deduction in lieu of the standard deduction allowed by  
4 the Internal Revenue Code of 1986, as amended, in an  
5 amount equal to:

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

9 (2) Four Thousand One Hundred Twenty-five Dollars  
10 (\$4,125.00) for a head of household, or

11 (3) Two Thousand Seven Hundred Fifty Dollars  
12 (\$2,750.00), if the filing status is single or  
13 married filing separate.

14 d. For the taxable year beginning on January 1, 2008, and  
15 ending December 31, 2008, 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 of 1986, as amended, in an  
21 amount equal to:

22 (1) Six Thousand Five Hundred Dollars (\$6,500.00), if  
23 the filing status is married filing joint or  
24 qualifying widow,



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

3 (3) Three Thousand Two Hundred Fifty Dollars  
4 (\$3,250.00), if the filing status is single or  
5 married filing separate.

6 e. For the taxable year beginning on January 1, 2009, and  
7 ending December 31, 2009, in the case of individuals  
8 who use the standard deduction in determining taxable  
9 income, there shall be added or deducted, as the case  
10 may be, the difference necessary to allow a standard  
11 deduction in lieu of the standard deduction allowed by  
12 the Internal Revenue Code of 1986, as amended, in an  
13 amount equal to:

14 (1) Eight Thousand Five Hundred Dollars (\$8,500.00),  
15 if the filing status is married filing joint or  
16 qualifying widow,

17 (2) Six Thousand Three Hundred Seventy-five Dollars  
18 (\$6,375.00) for a head of household, or

19 (3) Four Thousand Two Hundred Fifty Dollars  
20 (\$4,250.00), if the filing status is single or  
21 married filing separate.

22 Oklahoma adjusted gross income shall be increased by  
23 any amounts paid for motor vehicle excise taxes which  
24

1           were deducted as allowed by the Internal Revenue Code  
2           of 1986, as amended.

3           f.   For taxable years beginning on or after January 1,  
4           2010, and ending on December 31, 2016, in the case of  
5           individuals who use the standard deduction in  
6           determining taxable income, there shall be added or  
7           deducted, as the case may be, the difference necessary  
8           to allow a standard deduction equal to the standard  
9           deduction allowed by the Internal Revenue Code of  
10          1986, as amended, based upon the amount and filing  
11          status prescribed by such Code for purposes of filing  
12          federal individual income tax returns.

13          g.   For taxable years beginning on or after January 1,  
14          2017, in the case of individuals who use the standard  
15          deduction in determining taxable income, there shall  
16          be added or deducted, as the case may be, the  
17          difference necessary to allow a standard deduction in  
18          lieu of the standard deduction allowed by the Internal  
19          Revenue Code of 1986, as amended, as follows:

20               (1)   Six Thousand Three Hundred Fifty Dollars  
21                       (\$6,350.00) for single or married filing  
22                       separately,  
23  
24

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

3. a. In the case of resident and part-year resident individuals having adjusted gross income from sources both within and without the state, the itemized or standard deductions and personal exemptions shall be reduced to an amount which is the same portion of the total thereof as Oklahoma adjusted gross income is of adjusted gross income. To the extent itemized deductions include allowable moving expense, proration of moving expense shall not be required or permitted but allowable moving expense shall be fully deductible for those taxpayers moving within or into ~~Oklahoma~~ this state and no part of moving expense shall be deductible for those taxpayers moving without or out of ~~Oklahoma~~ this state. All other itemized or standard deductions and personal exemptions shall be subject to proration as provided by law.
- b. For taxable years beginning on or after January 1, 2018, the net amount of itemized deductions allowable on an Oklahoma income tax return, subject to the

1 provisions of paragraph 24 of this subsection, shall  
2 not exceed Seventeen Thousand Dollars (\$17,000.00).  
3 For purposes of this subparagraph, charitable  
4 contributions and medical expenses deductible for  
5 federal income tax purposes shall be excluded from the  
6 amount of Seventeen Thousand Dollars (\$17,000.00) as  
7 specified by this subparagraph. Provided further, for  
8 tax year 2025 and subsequent tax years, wagering  
9 losses which are deductible pursuant to the provisions  
10 of 26 U.S.C., Section 165(d) shall be excluded from  
11 the amount of Seventeen Thousand Dollars (\$17,000.00)  
12 as 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 United States Department  
18 of Veterans Affairs of the federal government as having a service-  
19 connected disability shall be conclusively presumed to be an  
20 individual with a physical disability constituting a substantial  
21 handicap to employment. The Tax Commission shall promulgate rules  
22 containing a list of combinations of common disabilities and  
23 modifications which may be presumed to qualify for this deduction.

1 The Tax Commission shall prescribe necessary requirements for  
2 verification.

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

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

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

19 (1) absence from the United States, which term  
20 includes only the states and the District of  
21 Columbia,

22 (2) absence from ~~the State of Oklahoma~~ this state  
23 while on active duty, or  
24

1           (3) confinement in a hospital within the United  
2           States for treatment of wounds, injuries or  
3           disease,  
4           the time for filing a return and paying an income tax  
5           shall be and is hereby extended without incurring  
6           liability for interest or penalties, to the fifteenth  
7           day of the third month following the month in which:

8           (a) Such individual shall return to the United  
9           States if the extension is granted pursuant  
10          to ~~subparagraph a~~ division (1) of this  
11          ~~paragraph subparagraph~~, return to ~~the State~~  
12          ~~of Oklahoma~~ this state if the extension is  
13          granted pursuant to ~~subparagraph b~~ division  
14          (2) of this ~~paragraph~~ subparagraph or be  
15          discharged from such hospital if the  
16          extension is granted pursuant to  
17          ~~subparagraph c~~ division (3) of this  
18          ~~paragraph~~ subparagraph, or

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

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

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

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

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

18 b. Federal taxes as described in subparagraph a of this  
19 paragraph shall be deductible by any individual  
20 taxpayer, whether resident or nonresident, only to the  
21 extent they relate to income subject to taxation  
22 pursuant to the provisions of the Oklahoma Income Tax  
23 Act. The maximum amount allowable in ~~the preceding~~  
24 paragraph 5 of this subsection shall be prorated on

1 the ratio of the Oklahoma adjusted gross income to  
2 federal adjusted gross income.

3 c. For the purpose of this paragraph, "federal income  
4 taxes paid" shall mean federal income taxes, surtaxes  
5 imposed on incomes or excess profits taxes, as though  
6 the taxpayer was on the accrual basis. In determining  
7 the amount of deduction for federal income taxes for  
8 tax year 2001, the amount of the deduction shall not  
9 be adjusted by the amount of any accelerated ten  
10 percent (10%) tax rate bracket credit or advanced  
11 refund of the credit received during the tax year  
12 provided pursuant to the federal Economic Growth and  
13 Tax Relief Reconciliation Act of 2001, P.L. No. 107-  
14 16, and the advanced refund of such credit shall not  
15 be subject to taxation.

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

19 8. Retirement benefits not to exceed Five Thousand Five Hundred  
20 Dollars (\$5,500.00) for the 2004 tax year, Seven Thousand Five  
21 Hundred Dollars (\$7,500.00) for the 2005 tax year and Ten Thousand  
22 Dollars (\$10,000.00) for the 2006 tax year and all subsequent tax  
23 years, which are received by an individual from the civil service of  
24 the United States, the Oklahoma Public Employees Retirement System,



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

12 9. In taxable years beginning after December 31, 1984, Social  
13 Security benefits received by an individual shall be exempt from  
14 taxable income, to the extent such benefits are included in the  
15 federal adjusted gross income pursuant to the provisions of Section  
16 86 of the Internal Revenue Code of 1986, as amended, 26 U.S.C.,  
17 Section 86.

18 10. For taxable years beginning after December 31, 1994, lump-  
19 sum distributions from employer plans of deferred compensation,  
20 which are not qualified plans within the meaning of Section 401(a)  
21 of the Internal Revenue Code of 1986, as amended, 26 U.S.C., Section  
22 401(a), and which are deposited in and accounted for within a  
23 separate bank account or brokerage account in a financial  
24 institution within this state, shall be excluded from taxable income

1 in the same manner as a qualifying rollover contribution to an  
2 individual retirement account within the meaning of Section 408 of  
3 the Internal Revenue Code of 1986, as amended, 26 U.S.C., Section  
4 408. Amounts withdrawn from such bank or brokerage account,  
5 including any earnings thereon, shall be included in taxable income  
6 when withdrawn in the same manner as withdrawals from individual  
7 retirement accounts within the meaning of Section 408 of the  
8 Internal Revenue Code of 1986, as amended.

9 11. In taxable years beginning after December 31, 1995,  
10 contributions made to and interest received from a medical savings  
11 account established pursuant to Sections 2621 through 2623 of Title  
12 63 of the Oklahoma Statutes shall be exempt from taxable income.

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

- 1       13.   a.    In taxable years beginning before January 1, 2005,  
2               retirement benefits not to exceed the amounts  
3               specified in this paragraph, which are received by an  
4               individual sixty-five (65) years of age or older and  
5               whose Oklahoma adjusted gross income is Twenty-five  
6               Thousand Dollars (\$25,000.00) or less if the filing  
7               status is single, head of household, or married filing  
8               separate, or Fifty Thousand Dollars (\$50,000.00) or  
9               less if the filing status is married filing joint or  
10              qualifying widow, shall be exempt from taxable income.  
11              In taxable years beginning after December 31, 2004,  
12              retirement benefits not to exceed the amounts  
13              specified in this paragraph, which are received by an  
14              individual whose Oklahoma adjusted gross income is  
15              less than the qualifying amount specified in this  
16              paragraph, shall be exempt from taxable income.
- 17       b.    For purposes of this paragraph, the qualifying amount  
18              shall be as follows:
- 19              (1)   in taxable years beginning after December 31,  
20                     2004, and prior to January 1, 2007, the  
21                     qualifying amount shall be Thirty-seven Thousand  
22                     Five Hundred Dollars (\$37,500.00) or less if the  
23                     filing status is single, head of household, or  
24                     married filing separate, or Seventy-five Thousand

- Dollars (\$75,000.00) or less if the filing status is married filing jointly or qualifying widow,
- (2) in the taxable year beginning January 1, 2007, the qualifying amount shall be Fifty Thousand Dollars (\$50,000.00) or less if the filing status is single, head of household, or married filing separate, or One Hundred Thousand Dollars (\$100,000.00) or less if the filing status is married filing jointly or qualifying widow,
- (3) in the taxable year beginning January 1, 2008, the qualifying amount shall be Sixty-two Thousand Five Hundred Dollars (\$62,500.00) or less if the filing status is single, head of household, or married filing separate, or One Hundred Twenty-five Thousand Dollars (\$125,000.00) or less if the filing status is married filing jointly or qualifying widow,
- (4) in the taxable year beginning January 1, 2009, the qualifying amount shall be One Hundred Thousand Dollars (\$100,000.00) or less if the filing status is single, head of household, or married filing separate, or Two Hundred Thousand Dollars (\$200,000.00) or less if the filing

1 status is married filing jointly or qualifying  
2 widow, and

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

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

9 (1) an employee pension benefit plan which satisfies  
10 the requirements of Section 401 of the Internal  
11 Revenue Code of 1986, as amended, 26 U.S.C.,  
12 Section 401,

13 (2) an eligible deferred compensation plan that  
14 satisfies the requirements of Section 457 of the  
15 Internal Revenue Code of 1986, as amended, 26  
16 U.S.C., Section 457,

17 (3) an individual retirement account, annuity or  
18 trust or simplified employee pension that  
19 satisfies the requirements of Section 408 of the  
20 Internal Revenue Code of 1986, as amended, 26  
21 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 of 1986, as amended, 26 U.S.C., Section  
403(a) or (b),

(5) United States Retirement Bonds which satisfy the  
requirements of Section 86 of the Internal  
Revenue Code of 1986, as amended, 26 U.S.C.,  
Section 86, or

(6) lump-sum distributions from a retirement plan  
which satisfies the requirements of Section  
402(e) of the Internal Revenue Code of 1986, as  
amended, 26 U.S.C., Section 402(e).

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

1           Ten Thousand Dollars (\$10,000.00) for the 2006 tax  
2           year and all subsequent tax years.

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

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

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

b. In taxable years beginning after December 31, 2004, each taxpayer shall be allowed a deduction for contributions to accounts established pursuant to the Oklahoma College Savings Plan Act. The maximum annual deduction shall equal the amount of contributions to all such accounts plus any contributions to such accounts by the taxpayer for prior taxable years after December 31, 2004, which were not deducted, but in no event shall the deduction for each tax year exceed Ten Thousand Dollars (\$10,000.00) for each individual taxpayer or Twenty Thousand Dollars (\$20,000.00) for taxpayers filing a joint return. Any amount of a contribution that is not deducted by the taxpayer in the year for which the contribution is made may be carried forward as a deduction from income for the succeeding five (5) years. For taxable years beginning after December 31, 2005, deductions may be taken for contributions and rollovers made during a taxable year and up to April 15 of the succeeding year, or the due date of a taxpayer's state income tax return, excluding extensions, whichever is later. Provided, a deduction for the same contribution may not be taken for two (2) different taxable years.



1           c.    In taxable years beginning after December 31, 2006,  
2               deductions for contributions made pursuant to  
3               subparagraph b of this paragraph shall be limited as  
4               follows:

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

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

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

1 gross income of the taxpayer in the taxable year of  
2 the rollover.

3 e. If a taxpayer makes a nonqualified withdrawal of  
4 contributions for which a deduction was taken pursuant  
5 to subparagraph b of this paragraph, such nonqualified  
6 withdrawal and any earnings thereon shall be included  
7 in the adjusted gross income of the taxpayer in the  
8 taxable year of the nonqualified withdrawal.

9 f. As used in this paragraph:

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

13 (a) a qualified withdrawal,

14 (b) a withdrawal made as a result of the death  
15 or disability of the designated beneficiary  
16 of an account,

17 (c) a withdrawal that is made on the account of  
18 a scholarship or the allowance or payment  
19 described in Section 135(d)(1)(B) or (C) or  
20 by the Internal Revenue Code of 1986, as  
21 amended, received by the designated  
22 beneficiary to the extent the amount of the  
23 refund does not exceed the amount of the  
24 scholarship, allowance, or payment, or

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

(2) "rollover" means the transfer of funds from the Oklahoma College Savings Plan to any other plan under Section 529 of the Internal Revenue Code of 1986, as amended.

17. For tax years 2006 through 2021, retirement benefits received by an individual from any component of the Armed Forces of the United States in an amount not to exceed the greater of seventy-five percent (75%) of such benefits or Ten Thousand Dollars (\$10,000.00) shall be exempt from taxable income but in no case less than the amount of the exemption provided by paragraph 13 of this subsection. For tax year 2022 and subsequent tax years, retirement benefits received by an individual from any component of the Armed Forces of the United States shall be exempt from taxable income.

18. For taxable years beginning after December 31, 2006, retirement benefits received by federal civil service retirees, including survivor annuities, paid in lieu of Social Security benefits shall be exempt from taxable income to the extent such benefits are included in the federal adjusted gross income pursuant to the provisions of Section 86 of the Internal Revenue Code of

1 1986, as amended, 26 U.S.C., Section 86, according to the following  
2 schedule:

- 3 a. in the taxable year beginning January 1, 2007, twenty  
4 percent (20%) of such benefits shall be exempt,
- 5 b. in the taxable year beginning January 1, 2008, forty  
6 percent (40%) of such benefits shall be exempt,
- 7 c. in the taxable year beginning January 1, 2009, sixty  
8 percent (60%) of such benefits shall be exempt,
- 9 d. in the taxable year beginning January 1, 2010, eighty  
10 percent (80%) of such benefits shall be exempt, and
- 11 e. in the taxable year beginning January 1, 2011, and  
12 subsequent taxable years, one hundred percent (100%)  
13 of such benefits shall be exempt.

- 14 19. a. For taxable years beginning after December 31, 2007, a  
15 resident individual may deduct up to Ten Thousand  
16 Dollars (\$10,000.00) from Oklahoma adjusted gross  
17 income if the individual, or the dependent of the  
18 individual, while living, donates one or more human  
19 organs of the individual to another human being for  
20 human organ transplantation. As used in this  
21 paragraph, "human organ" means all or part of a liver,  
22 pancreas, kidney, intestine, lung, or bone marrow. A  
23 deduction that is claimed under this paragraph may be  
24

1           claimed in the taxable year in which the human organ  
2           transplantation occurs.

3           b.    An individual may claim this deduction only once, and  
4           the deduction may be claimed only for unreimbursed  
5           expenses that are incurred by the individual and  
6           related to the organ donation of the individual.

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

13          20.   For taxable years beginning after December 31, 2009, there  
14          shall be exempt from taxable income any amount received by the  
15          beneficiary of the death benefit for an emergency medical technician  
16          or a registered emergency medical responder provided by Section 1-  
17          2505.1 of Title 63 of the Oklahoma Statutes.

18          21.   For taxable years beginning after December 31, 2008,  
19          taxable income shall be increased by any unemployment compensation  
20          exempted under Section 85(c) of the Internal Revenue Code of 1986,  
21          as amended, 26 U.S.C., Section 85(c) ~~(2009)~~.

22          22.   For taxable years beginning after December 31, 2008, there  
23          shall be exempt from taxable income any payment in an amount less  
24          than Six Hundred Dollars (\$600.00) received by a person as an award

1 for participation in a competitive livestock show event. For  
2 purposes of this paragraph, the payment shall be treated as a  
3 scholarship amount paid by the entity sponsoring the event and the  
4 sponsoring entity shall cause the payment to be categorized as a  
5 scholarship in its books and records.

6 23. For taxable years beginning on or after January 1, 2016,  
7 taxable income shall be increased by any amount of state and local  
8 sales or income taxes deducted under 26 U.S.C., Section 164 of the  
9 Internal Revenue Code of 1986, as amended. If the amount of state  
10 and local taxes deducted on the federal return is limited, taxable  
11 income on the state return shall be increased only by the amount  
12 actually deducted after any such limitations are applied.

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

1 succeeding tax year, or through the due date of a taxpayer's state  
2 income tax return excluding extensions, whichever is later.

3 Provided, a deduction for the same contribution may not be taken in  
4 more than one (1) tax year.

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

10 2. As used in this subsection:

11 a. "qualifying gains receiving capital treatment" means  
12 the amount of net capital gains, as defined in Section  
13 1222(11) of the Internal Revenue Code of 1986, as  
14 amended, included in an individual taxpayer's federal  
15 income tax return that result from:

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

23 (2) the sale of stock or the sale of a direct or  
24 indirect ownership interest in an Oklahoma

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

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

21 b. "holding period" means an uninterrupted period of  
22 time. The holding period shall include any additional  
23 period when the property was held by another  
24 individual or entity, if such additional period is



1 included in the taxpayer's holding period for the  
2 asset pursuant to the Internal Revenue Code of 1986,  
3 as amended,

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

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

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

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

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

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

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

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

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

21           a.   the term "real estate investment trust" or "REIT"  
22               means the meaning ascribed to such term in Section 856  
23               of the Internal Revenue Code of 1986, as amended,  
24

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

9                (1)   treated as an association taxable as a  
10                corporation under the Internal Revenue Code of  
11                1986, as amended, and

12               (2)   not exempt from federal income tax pursuant to  
13                the provisions of Section 501(a) of the Internal  
14                Revenue Code of 1986, as amended.

15           The term shall not include a real estate investment  
16           trust that is intended to be regularly traded on an  
17           established securities market, and that satisfies the  
18           requirements of Section 856(a)(5) and (6) of the ~~U.S.~~  
19           Internal Revenue Code of 1986, as amended, by reason  
20           of Section 856(h)(2) of the Internal Revenue Code of  
21           1986, as amended,

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

- 1 (1) any real estate investment trust as defined in  
2 ~~paragraph subparagraph~~ a of paragraph 2 of this  
3 subsection other than a ~~"captive real estate~~  
4 ~~investment trust"~~ captive real estate investment  
5 trust,
- 6 (2) any qualified real estate investment trust  
7 subsidiary under Section 856(i) of the Internal  
8 Revenue Code of 1986, as amended, other than a  
9 qualified REIT subsidiary of a ~~"captive real~~  
10 ~~estate investment trust"~~ captive real estate  
11 investment trust,
- 12 (3) any ~~Listed Australian Property Trust~~ listed  
13 Australian property trust (meaning an Australian  
14 unit trust registered as a ~~"Managed Investment~~  
15 ~~Scheme"~~ "managed investment scheme" under the  
16 Australian Corporations Act 2001 in which the  
17 principal class of units is listed on a  
18 recognized stock exchange in Australia and is  
19 regularly traded on an established securities  
20 market), or an entity organized as a trust,  
21 provided that a ~~Listed Australian Property Trust~~  
22 listed Australian property trust owns or  
23 controls, directly or indirectly, seventy-five  
24 percent (75%) or more of the voting power or

1 value of the beneficial interests or shares of  
2 such trust, or

3 (4) any ~~Qualified Foreign Entity~~ qualified foreign  
4 entity, meaning a corporation, trust, association  
5 or partnership organized outside the laws of the  
6 United States and which satisfies the following  
7 criteria:

8 (a) at least seventy-five percent (75%) of the  
9 entity's total asset value at the close of  
10 its taxable year is represented by real  
11 estate assets, as defined in Section  
12 856(c) (5) (B) of the Internal Revenue Code of  
13 1986, as amended, thereby including shares  
14 or certificates of beneficial interest in  
15 any real estate investment trust, cash and  
16 cash equivalents, and U.S. Government  
17 securities,

18 (b) the entity receives a dividend-paid  
19 deduction comparable to Section 561 of the  
20 Internal Revenue Code of 1986, as amended,  
21 or is exempt from entity level tax,

22 (c) the entity is required to distribute at  
23 least eighty-five percent (85%) of its  
24 taxable income, as computed in the

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

3. For purposes of this subsection, the constructive ownership  
rules of Section 318(a) of the Internal Revenue Code, as modified by  
Section 856(d)(5) of the Internal Revenue Code of 1986, as amended,  
shall apply in determining the ownership of stock, assets, or net  
profits of any person.

4. A real estate investment trust that does not become  
regularly traded on an established securities market within one (1)  
year of the date on which it first becomes a real estate investment  
trust shall be deemed not to have been regularly traded on an  
established securities market, retroactive to the date it first  
became a real estate investment trust, and shall file an amended  
return reflecting such retroactive designation for any tax year or

1 part year occurring during its initial year of status as a real  
2 estate investment trust. For purposes of this subsection, a real  
3 estate investment trust becomes a real estate investment trust on  
4 the first day it has both met the requirements of Section 856 of the  
5 Internal Revenue Code of 1986, as amended, and has elected to be  
6 treated as a real estate investment trust pursuant to Section  
7 856(c)(1) of the Internal Revenue Code of 1986, as amended.

8 SECTION 2. This act shall become effective November 1, 2025.

9  
10 60-1-12997 JM 02/27/25  
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