

1 STATE OF OKLAHOMA

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

3 COMMITTEE SUBSTITUTE
4 FOR

5 HOUSE BILL NO. 4432

6 By: Hilbert

7 COMMITTEE SUBSTITUTE

8 An Act relating to revenue and taxation; amending 68
9 O.S. 2021, Section 2358, as last amended by Section
10 155, Chapter 452, O.S.L. 2024 (68 O.S. Supp. 2025,
11 Section 2358), which relates to adjustments;
12 eliminating limitation on itemization of wagering
13 losses for certain tax years; updating statutory
14 language; updating statutory references; and
15 providing an effective date.

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

17 SECTION 1. AMENDATORY 68 O.S. 2021, Section 2358, as
18 last amended by Section 155, Chapter 452, O.S.L. 2024 (68 O.S. Supp.
19 2025, Section 2358), is amended to read as follows:

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

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

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

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

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

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

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

1 Oklahoma net operating loss carryovers and carrybacks
2 to such year. Oklahoma net operating losses shall be
3 separately determined by reference to Section 172 of
4 the Internal Revenue Code of 1986, as amended, 26
5 U.S.C., Section 172, as modified by the Oklahoma
6 Income Tax Act, Section 2351 et seq. of this title,
7 and shall be allowed without regard to the existence
8 of a federal net operating loss. For tax years
9 beginning after December 31, 2000, and ending before
10 January 1, 2008, the years to which such losses may be
11 carried shall be determined solely by reference to
12 Section 172 of the Internal Revenue Code of 1986, as
13 amended, 26 U.S.C., Section 172, with the exception
14 that the terms "net operating loss" and "taxable
15 income" shall be replaced with "Oklahoma net operating
16 loss" and "Oklahoma taxable income". For tax years
17 beginning after December 31, 2007, and ending before
18 January 1, 2009, years to which such losses may be
19 carried back shall be limited to two (2) years. For
20 tax years beginning after December 31, 2008, the years
21 to which such losses may be carried back shall be
22 determined solely by reference to Section 172 of the
23 Internal Revenue Code of 1986, as amended, 26 U.S.C.,
24 Section 172, with the exception that the terms "net

1 operating loss" and "taxable income" shall be replaced
2 with "Oklahoma net operating loss" and "Oklahoma
3 taxable income".

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

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

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

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

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

9 (2) for taxable years beginning after December 31,
10 2003, capital or ordinary gains or losses from
11 the sale of an ownership interest in a publicly
12 traded partnership, as defined by Section 7704(b)
13 of the Internal Revenue Code of 1986, as amended,
14 shall be allocated to this state in the ratio of
15 the original cost of such partnership's tangible
16 property in this state to the original cost of
17 such partnership's tangible property everywhere,
18 as determined at the time of the sale; if more
19 than fifty percent (50%) of the value of the
20 partnership's assets consists of intangible
21 assets, capital or ordinary gains or losses from
22 the sale of an ownership interest in the
23 partnership shall be allocated to this state in
24 accordance with the sales factor of the

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

11 (3) income from such property which is required to be
12 allocated pursuant to the provisions of paragraph
13 5 of this subsection shall be allocated as herein
14 provided;

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

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

23 (1) sales having a situs without this state, shipped
24 directly to a point from without the state to a

1 purchaser within the state, commonly known as
2 interstate sales,

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

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

14 the Oklahoma net income shall, at the option of the
15 taxpayer, be that portion of the total net income of
16 the taxpayer for federal income tax purposes derived
17 from the manufacture and/or processing and sales
18 everywhere as determined by the ratio of the sales
19 defined in this section made to the purchaser within
20 the state to the total sales everywhere. The term
21 "public warehouse" as used in this subparagraph means
22 a licensed public warehouse, the principal business of
23 which is warehousing merchandise for the public;
24

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

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

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

1 the proportion which the sum of the direct
2 premiums written for insurance on property or
3 risks in this state by each ceding company from
4 which reinsurance is accepted bears to the sum of
5 the total direct premiums written by each such
6 ceding company for the taxable year.

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

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

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

16 (1) Property, the income from which is separately
17 allocated in paragraph 4 of this subsection,
18 shall not be included in determining this
19 fraction. The numerator of the fraction shall
20 include a portion of the investment in
21 transportation and other equipment having no
22 fixed situs, such as rolling stock, buses, trucks
23 and trailers, including machinery and equipment
24 carried thereon, airplanes, salespersons'

1 automobiles and other similar equipment, in the
2 proportion that miles traveled in ~~Oklahoma~~ this
3 state by such equipment bears to total miles
4 traveled,

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

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

19 b. The payroll factor is a fraction, the numerator of
20 which is the total compensation for services rendered
21 in the state during the tax period, and the
22 denominator of which is the total compensation for
23 services rendered everywhere during the tax period.
24 "Compensation", as used in this subsection, means

1 those paid-for services to the extent related to the
2 unitary business but does not include officers'
3 salaries, wages and other compensation.

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

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

20 c. The sales factor is a fraction, the numerator of which
21 is the total sales or gross revenue of the taxpayer in
22 this state during the tax period, and the denominator
23 of which is the total sales or gross revenue of the
24 taxpayer everywhere during the tax period. "Sales",

1 as used in this subsection, does not include sales or
2 gross revenue which are separately allocated in
3 paragraph 4 of this subsection.

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

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

20 (3) In the case of an airline, truck or bus
21 enterprise or freight car, tank car, refrigerator
22 car or other railroad equipment enterprise, the
23 numerator of the fraction shall include a portion
24 of revenue from interstate transportation in the

1 proportion that interstate mileage traveled in
2 ~~Oklahoma~~ this state bears to total interstate
3 mileage traveled.

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

19 (5) In the case of a telephone or telegraph or other
20 communication enterprise, the numerator of the
21 fraction shall include that portion of the
22 interstate revenue as is allocated pursuant to
23 the accounting procedures prescribed by the
24 Federal Communications Commission; provided that

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

14 In any case where the apportionment of the three factors
15 prescribed in this paragraph attributes to ~~Oklahoma~~ this state a
16 portion of net income of the enterprise out of all appropriate
17 proportion to the property owned and/or business transacted within
18 this state, because of the fact that one or more of the factors so
19 prescribed are not employed to any appreciable extent in furtherance
20 of the enterprise; or because one or more factors not so prescribed
21 are employed to a considerable extent in furtherance of the
22 enterprise; or because of other reasons, the Tax Commission is
23 empowered to permit, after a showing by taxpayer that an excessive
24 portion of net income has been attributed to ~~Oklahoma~~ this state, or

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

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

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

12 For purposes of this paragraph:

- 13 a. "Agricultural commodity processing facility" means
14 ~~building~~ buildings, structures, fixtures and
15 improvements used or operated primarily for the
16 processing or production of marketable products from
17 agricultural commodities. The term shall also mean a
18 dairy operation that requires a depreciable investment
19 of at least Two Hundred Fifty Thousand Dollars
20 (\$250,000.00) and which produces milk from dairy cows.
21 The term does not include a facility that provides
22 only, and nothing more than, storage, cleaning, drying
23 or transportation of agricultural commodities, and
24

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

3 (1) the processing of agricultural commodities,
4 including receiving or storing agricultural
5 commodities, or the production of milk at a dairy
6 operation,

7 (2) transporting the agricultural commodities or
8 product before, during or after the processing,
9 or

10 (3) packaging or otherwise preparing the product for
11 sale or shipment.

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

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

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

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

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

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

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

23 B. 1. The taxable income of any corporation shall be further
24 adjusted to arrive at Oklahoma taxable income, except those

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

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

22 For assets placed in service and held by a corporation in which
23 ~~accelerated cost recovery system~~ the Accelerated Cost Recovery
24 System was previously disallowed, an adjustment to taxable income is

1 required in the first taxable year beginning after December 31,
2 1982, to reconcile the basis of such assets to the basis allowed in
3 the Internal Revenue Code of 1986, as amended. The purpose of this
4 adjustment is to equalize the basis and allowance for depreciation
5 accounts between that reported to the Internal Revenue Service and
6 that reported to ~~Oklahoma~~ this state.

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

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

1 royalty payment accruing from such transfer. No exemption may be
2 claimed for transfers of technology to qualified small businesses
3 made prior to January 1, 1988.

4 2. For purposes of this subsection:

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

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

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

15 (3) Not a subsidiary or affiliate of the transferor
16 corporation;

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

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

24

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

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

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 of 1986, as
16 amended, included in the federal income tax return of
17 the corporation, estate or trust that result from:

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

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

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

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

1 asset pursuant to the Internal Revenue Code of 1986,
2 as amended,

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

9 d. "direct" means the taxpayer directly owns the asset,
10 and

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

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

1 pass-through entity in the tier immediately below
2 it for an uninterrupted period of not less than
3 five (5) years.

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

19 E. The Oklahoma adjusted gross income of any individual
20 taxpayer shall be further adjusted as follows to arrive at Oklahoma
21 taxable income:

22 1. a. In the case of individuals, there shall be added or
23 deducted, as the case may be, the difference necessary
24 to allow personal exemptions of One Thousand Dollars

1 (\$1,000.00) in lieu of the personal exemptions allowed
2 by the Internal Revenue Code of 1986, as amended.

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

14 c. There shall be allowed an additional exemption of One
15 Thousand Dollars (\$1,000.00) for each taxpayer or
16 spouse who is sixty-five (65) years of age or older at
17 the close of the tax year based upon the filing status
18 and federal adjusted gross income of the taxpayer.
19 Taxpayers with the following filing status may claim
20 this exemption if the federal adjusted gross income
21 does not exceed:

22 (1) Twenty-five Thousand Dollars (\$25,000.00) if
23 married and filing jointly,
24

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

7 Provided, for taxable years beginning after December
8 31, 1999, amounts included in the calculation of
9 federal adjusted gross income pursuant to the
10 conversion of a traditional individual retirement
11 account to a Roth individual retirement account shall
12 be excluded from federal adjusted gross income for
13 purposes of the income thresholds provided in this
14 subparagraph.

- 15 2. a. For taxable years beginning on or before December 31,
16 2005, in the case of individuals who use the standard
17 deduction in determining taxable income, there shall
18 be added or deducted, as the case may be, the
19 difference necessary to allow a standard deduction in
20 lieu of the standard deduction allowed by the Internal
21 Revenue Code of 1986, as amended, in an amount equal
22 to the larger of fifteen percent (15%) of the Oklahoma
23 adjusted gross income or One Thousand Dollars
24 (\$1,000.00), but not to exceed Two Thousand Dollars

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

7 b. For taxable years beginning on or after January 1,
8 2006, and before January 1, 2007, in the case of
9 individuals who use the standard deduction in
10 determining taxable income, there shall be added or
11 deducted, as the case may be, the difference necessary
12 to allow a standard deduction in lieu of the standard
13 deduction allowed by the Internal Revenue Code of
14 1986, as amended, in an amount equal to:

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

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

20 c. For the taxable year beginning on January 1, 2007, and
21 ending December 31, 2007, in the case of individuals
22 who use the standard deduction in determining taxable
23 income, there shall be added or deducted, as the case
24 may be, the difference necessary to allow a standard

1 deduction in lieu of the standard deduction allowed by
2 the Internal Revenue Code of 1986, as amended, in an
3 amount equal to:

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

7 (2) Four Thousand One Hundred Twenty-five Dollars
8 (\$4,125.00) for a head of household, or

9 (3) Two Thousand Seven Hundred Fifty Dollars
10 (\$2,750.00), if the filing status is single or
11 married filing separate.

12 d. For the taxable year beginning on January 1, 2008, and
13 ending December 31, 2008, in the case of individuals
14 who use the standard deduction in determining taxable
15 income, there shall be added or deducted, as the case
16 may be, the difference necessary to allow a standard
17 deduction in lieu of the standard deduction allowed by
18 the Internal Revenue Code of 1986, as amended, in an
19 amount equal to:

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

23 (2) Four Thousand Eight Hundred Seventy-five Dollars
24 (\$4,875.00) for a head of household, or

1 (3) Three Thousand Two Hundred Fifty Dollars
2 (\$3,250.00), if the filing status is single or
3 married filing separate.

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

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

15 (2) Six Thousand Three Hundred Seventy-five Dollars
16 (\$6,375.00) for a head of household, or

17 (3) Four Thousand Two Hundred Fifty Dollars
18 (\$4,250.00), if the filing status is single or
19 married filing separate.

20 Oklahoma adjusted gross income shall be increased by
21 any amounts paid for motor vehicle excise taxes which
22 were deducted as allowed by the Internal Revenue Code
23 of 1986, as amended.

24

1 f. For taxable years beginning on or after January 1,
2 2010, and ending on December 31, 2016, in the case of
3 individuals who use the standard deduction in
4 determining taxable income, there shall be added or
5 deducted, as the case may be, the difference necessary
6 to allow a standard deduction equal to the standard
7 deduction allowed by the Internal Revenue Code of
8 1986, as amended, based upon the amount and filing
9 status prescribed by such Code for purposes of filing
10 federal individual income tax returns.

11 g. For taxable years beginning on or after January 1,
12 2017, in the case of individuals who use the standard
13 deduction in determining taxable income, there shall
14 be added or deducted, as the case may be, the
15 difference necessary to allow a standard deduction in
16 lieu of the standard deduction allowed by the Internal
17 Revenue Code of 1986, as amended, as follows:

18 (1) Six Thousand Three Hundred Fifty Dollars
19 (\$6,350.00) for single or married filing
20 separately,

21 (2) Twelve Thousand Seven Hundred Dollars
22 (\$12,700.00) for married filing jointly or
23 qualifying widower with dependent child, and
24

1 (3) Nine Thousand Three Hundred Fifty Dollars
2 (\$9,350.00) for head of household.

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

19 b. For taxable years beginning on or after January 1,
20 2018, the net amount of itemized deductions allowable
21 on an Oklahoma income tax return, subject to the
22 provisions of paragraph 24 of this subsection, shall
23 not exceed Seventeen Thousand Dollars (\$17,000.00).
24 For purposes of this subparagraph, charitable

1 contributions and medical expenses deductible for
2 federal income tax purposes shall be excluded from the
3 amount of Seventeen Thousand Dollars (\$17,000.00) as
4 specified by this subparagraph. Provided further, for
5 tax year 2027 and subsequent tax years, wagering
6 losses which are deductible pursuant to the provisions
7 of 26 U.S.C., Section 165(d) shall be excluded from
8 the amount of Seventeen Thousand Dollars (\$17,000.00)
9 as specified by this subparagraph.

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

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

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

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

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

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

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

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

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

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

- 3 (a) Such individual shall return to the United
4 States if the extension is granted pursuant
5 to ~~subparagraph a~~ division (1) of this
6 ~~paragraph~~ subparagraph, return to ~~the State~~
7 ~~of Oklahoma~~ this state if the extension is
8 granted pursuant to ~~subparagraph b~~ division
9 (2) of this ~~paragraph~~ subparagraph or be
10 discharged from such hospital if the
11 extension is granted pursuant to
12 ~~subparagraph e~~ division (3) of this
13 ~~paragraph~~ subparagraph, or
- 14 (b) An executor, administrator, or conservator
15 of the estate of the taxpayer is appointed,
16 whichever event occurs the earliest.

17 Provided, that the Tax Commission may, in its discretion, grant
18 any member of the Armed Forces of the United States an extension of
19 time for filing of income tax returns and payment of income tax
20 without incurring liabilities for interest or penalties. Such
21 extension may be granted only when in the judgment of the Tax
22 Commission a good cause exists therefor and may be for a period in
23 excess of six (6) months. A record of every such extension granted,
24 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 5 of this subsection shall be prorated on
20 the ratio of the Oklahoma adjusted gross income to
21 federal adjusted 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 of 1986, as amended, 26 U.S.C.,
12 Section 86.

13 10. For taxable years beginning after December 31, 1994, lump-
14 sum distributions from employer plans of deferred compensation,
15 which are not qualified plans within the meaning of Section 401(a)
16 of the Internal Revenue Code of 1986, as amended, 26 U.S.C., Section
17 401(a), and which are deposited in and accounted for within a
18 separate bank account or brokerage account in a financial
19 institution within this state, shall be excluded from taxable income
20 in the same manner as a qualifying rollover contribution to an
21 individual retirement account within the meaning of Section 408 of
22 the Internal Revenue Code of 1986, as amended, 26 U.S.C., Section
23 408. Amounts withdrawn from such bank or brokerage account,
24 including any earnings thereon, shall be included in taxable income

1 when withdrawn in the same manner as withdrawals from individual
2 retirement accounts within the meaning of Section 408 of the
3 Internal Revenue Code of 1986, as amended.

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

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

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

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

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

- 14 (1) in taxable years beginning after December 31,
15 2004, and prior to January 1, 2007, the
16 qualifying amount shall be Thirty-seven Thousand
17 Five Hundred Dollars (\$37,500.00) or less if the
18 filing status is single, head of household, or
19 married filing separate, or Seventy-five Thousand
20 Dollars (\$75,000.00) or less if the filing status
21 is married filing jointly or qualifying widow,
22 (2) in the taxable year beginning January 1, 2007,
23 the qualifying amount shall be Fifty Thousand
24 Dollars (\$50,000.00) or less if the filing status

1 is single, head of household, or married filing
2 separate, or One Hundred Thousand Dollars
3 (\$100,000.00) or less if the filing status is
4 married filing jointly or qualifying widow,

5 (3) in the taxable year beginning January 1, 2008,
6 the qualifying amount shall be Sixty-two Thousand
7 Five Hundred Dollars (\$62,500.00) or less if the
8 filing status is single, head of household, or
9 married filing separate, or One Hundred Twenty-
10 five Thousand Dollars (\$125,000.00) or less if
11 the filing status is married filing jointly or
12 qualifying widow,

13 (4) in the taxable year beginning January 1, 2009,
14 the qualifying amount shall be One Hundred
15 Thousand Dollars (\$100,000.00) or less if the
16 filing status is single, head of household, or
17 married filing separate, or Two Hundred Thousand
18 Dollars (\$200,000.00) or less if the filing
19 status is married filing jointly or qualifying
20 widow, and

21 (5) in the taxable year beginning January 1, 2010,
22 and subsequent taxable years, there shall be no
23 limitation upon the qualifying amount.
24

1 c. For purposes of this paragraph, "retirement benefits"
2 means the total distributions or withdrawals from the
3 following:

4 (1) an employee pension benefit plan which satisfies
5 the requirements of Section 401 of the Internal
6 Revenue Code of 1986, as amended, 26 U.S.C.,
7 Section 401,

8 (2) an eligible deferred compensation plan that
9 satisfies the requirements of Section 457 of the
10 Internal Revenue Code of 1986, as amended, 26
11 U.S.C., Section 457,

12 (3) an individual retirement account, annuity or
13 trust or simplified employee pension that
14 satisfies the requirements of Section 408 of the
15 Internal Revenue Code of 1986, as amended, 26
16 U.S.C., Section 408,

17 (4) an employee annuity subject to the provisions of
18 Section 403(a) or (b) of the Internal Revenue
19 Code of 1986, as amended, 26 U.S.C., Section
20 403(a) or (b),

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

1 (6) lump-sum distributions from a retirement plan
2 which satisfies the requirements of Section
3 402(e) of the Internal Revenue Code of 1986, as
4 amended, 26 U.S.C., Section 402(e).

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

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

1 adjusted gross income and which consists of the discharge of an
2 obligation by a creditor of the taxpayer incurred to finance the
3 production of agricultural products.

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

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

18 b. In taxable years beginning after December 31, 2004,
19 each taxpayer shall be allowed a deduction for
20 contributions to accounts established pursuant to the
21 Oklahoma College Savings Plan Act. The maximum annual
22 deduction shall equal the amount of contributions to
23 all such accounts plus any contributions to such
24 accounts by the taxpayer for prior taxable years after

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

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

21 (1) for a taxpayer who qualified for the five-year
22 carryforward election and who takes a rollover or
23 nonqualified withdrawal during that period, the
24 tax deduction otherwise available pursuant to

1 subparagraph b of this paragraph shall be reduced
2 by the amount which is equal to the rollover or
3 nonqualified withdrawal, and

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

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

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

1 f. As used in this paragraph:

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

5 (a) a qualified withdrawal,

6 (b) a withdrawal made as a result of the death
7 or disability of the designated beneficiary
8 of an account,

9 (c) a withdrawal that is made on the account of
10 a scholarship or the allowance or payment
11 described in Section 135(d)(1)(B) or (C) or
12 by the Internal Revenue Code of 1986, as
13 amended, received by the designated

14 beneficiary to the extent the amount of the
15 refund does not exceed the amount of the
16 scholarship, allowance, or payment, or

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

21 (2) "rollover" means the transfer of funds from the
22 Oklahoma College Savings Plan to any other plan
23 under Section 529 of the Internal Revenue Code of
24 1986, as amended.

1 17. For tax years 2006 through 2021, retirement benefits
2 received by an individual from any component of the Armed Forces of
3 the United States in an amount not to exceed the greater of seventy-
4 five percent (75%) of such benefits or Ten Thousand Dollars
5 (\$10,000.00) shall be exempt from taxable income but in no case less
6 than the amount of the exemption provided by paragraph 13 of this
7 subsection. For tax year 2022 and subsequent tax years, retirement
8 benefits received by an individual from any component of the Armed
9 Forces of the United States shall be exempt from taxable income.

10 18. For taxable years beginning after December 31, 2006,
11 retirement benefits received by federal civil service retirees,
12 including survivor annuities, paid in lieu of Social Security
13 benefits shall be exempt from taxable income to the extent such
14 benefits are included in the federal adjusted gross income pursuant
15 to the provisions of Section 86 of the Internal Revenue Code of
16 1986, as amended, 26 U.S.C., Section 86, according to the following
17 schedule:

- 18 a. in the taxable year beginning January 1, 2007, twenty
19 percent (20%) of such benefits shall be exempt,
- 20 b. in the taxable year beginning January 1, 2008, forty
21 percent (40%) of such benefits shall be exempt,
- 22 c. in the taxable year beginning January 1, 2009, sixty
23 percent (60%) of such benefits shall be exempt,

24

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

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

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

22 c. The Oklahoma Tax Commission shall promulgate rules to
23 implement the provisions of this paragraph which shall
24 contain a specific list of expenses which may be

1 presumed to qualify for the deduction. The Tax
2 Commission shall prescribe necessary requirements for
3 verification.

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

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

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

21 23. For taxable years beginning on or after January 1, 2016,
22 taxable income shall be increased by any amount of state and local
23 sales or income taxes deducted under 26 U.S.C., Section 164 of the
24 Internal Revenue Code of 1986, as amended. If the amount of state

1 and local taxes deducted on the federal return is limited, taxable
2 income on the state return shall be increased only by the amount
3 actually deducted after any such limitations are applied.

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

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

1 2. As used in this subsection:

2 a. "qualifying gains receiving capital treatment" means
3 the amount of net capital gains, as defined in Section
4 1222(11) of the Internal Revenue Code of 1986, as
5 amended, included in an individual taxpayer's federal
6 income tax return that result from:

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

14 (2) the sale of stock or the sale of a direct or
15 indirect ownership interest in an Oklahoma
16 company, limited liability company, or
17 partnership where such stock or ownership
18 interest has been directly or indirectly owned by
19 the individual taxpayer for a holding period of
20 at least two (2) years prior to the date of the
21 transaction from which the net capital gains
22 arise, or

23 (3) the sale of real property, tangible personal
24 property or intangible personal property located

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

12 b. "holding period" means an uninterrupted period of
13 time. The holding period shall include any additional
14 period when the property was held by another
15 individual or entity, if such additional period is
16 included in the taxpayer's holding period for the
17 asset pursuant to the Internal Revenue Code of 1986,
18 as amended,

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

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

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

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

20 (2) With respect to sales of stock or ownership
21 interest in or sales of all or substantially all
22 of the assets of an Oklahoma company, limited
23 liability company, partnership or Oklahoma
24 proprietorship business enterprise, the deduction

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

16 f. "Oklahoma proprietorship business enterprise" means a
17 business enterprise whose income and expenses have
18 been reported on Schedule C or F of an individual
19 taxpayer's federal income tax return, or any similar
20 successor schedule published by the Internal Revenue
21 Service and whose primary headquarters have been
22 located in ~~Oklahoma~~ this state for at least three (3)
23 uninterrupted years prior to the date of the
24 transaction from which the net capital gains arise.

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

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

12 a. the term "real estate investment trust" or "REIT"
13 means the meaning ascribed to such term in Section 856
14 of the Internal Revenue Code of 1986, as amended,

15 b. the term "captive real estate investment trust" means
16 a real estate investment trust, the shares or
17 beneficial interests of which are not regularly traded
18 on an established securities market and more than
19 fifty percent (50%) of the voting power or value of
20 the beneficial interests or shares of which are owned
21 or controlled, directly or indirectly, or
22 constructively, by a single entity that is:
23
24

1 (1) treated as an association taxable as a
2 corporation under the Internal Revenue Code of
3 1986, as amended, and

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

7 The term shall not include a real estate investment
8 trust that is intended to be regularly traded on an
9 established securities market, and that satisfies the
10 requirements of Section 856(a)(5) and (6) of the ~~U.S.~~
11 Internal Revenue Code of 1986, as amended, by reason
12 of Section 856(h)(2) of the Internal Revenue Code of
13 1986, as amended,

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

16 (1) any real estate investment trust as defined in
17 ~~paragraph subparagraph~~ a of paragraph 2 of this
18 subsection other than a ~~"captive real estate~~
19 ~~investment trust"~~ captive real estate investment
20 trust,

21 (2) any qualified real estate investment trust
22 subsidiary under Section 856(i) of the Internal
23 Revenue Code of 1986, as amended, other than a
24 qualified REIT subsidiary of a ~~"captive real~~

1 ~~estate investment trust~~" captive real estate
2 investment trust,

3 (3) any ~~Listed~~ listed Australian ~~Property Trust~~
4 property trust (meaning an Australian unit trust
5 registered as a "~~Managed Investment Scheme~~"
6 "managed investment scheme" under the Australian
7 Corporations Act 2001 in which the principal
8 class of units is listed on a recognized stock
9 exchange in Australia and is regularly traded on
10 an established securities market), or an entity
11 organized as a trust, provided that a ~~Listed~~
12 listed Australian ~~Property Trust~~ property trust
13 owns or controls, directly or indirectly,
14 seventy-five percent (75%) or more of the voting
15 power or value of the beneficial interests or
16 shares of such trust, or

17 (4) any ~~Qualified Foreign Entity~~ qualified foreign
18 entity, meaning a corporation, trust, association
19 or partnership organized outside the laws of the
20 United States and which satisfies the following
21 criteria:

22 (a) at least seventy-five percent (75%) of the
23 entity's total asset value at the close of
24 its taxable year is represented by real

1 estate assets, as defined in Section
2 856(c)(5)(B) of the Internal Revenue Code of
3 1986, as amended, thereby including shares
4 or certificates of beneficial interest in
5 any real estate investment trust, cash and
6 cash equivalents, and U.S. Government
7 securities,

8 (b) the entity receives a dividend-paid
9 deduction comparable to Section 561 of the
10 Internal Revenue Code of 1986, as amended,
11 or is exempt from entity level tax,

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

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

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

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

8 4. A real estate investment trust that does not become
9 regularly traded on an established securities market within one (1)
10 year of the date on which it first becomes a real estate investment
11 trust shall be deemed not to have been regularly traded on an
12 established securities market, retroactive to the date it first
13 became a real estate investment trust, and shall file an amended
14 return reflecting such retroactive designation for any tax year or
15 part year occurring during its initial year of status as a real
16 estate investment trust. For purposes of this subsection, a real
17 estate investment trust becomes a real estate investment trust on
18 the first day it has both met the requirements of Section 856 of the
19 Internal Revenue Code of 1986, as amended, and has elected to be
20 treated as a real estate investment trust pursuant to Section
21 856(c) (1) of the Internal Revenue Code of 1986, as amended.

22 SECTION 2. This act shall become effective January 1, 2027.
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24 60-2-16499 JM 02/18/26

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