

1 ENGROSSED HOUSE  
2 BILL NO. 2745

By: Caldwell (Trey) of the  
House

3 and

4 Pugh of the Senate

5  
6  
7 [ revenue and taxation - banking privilege taxation -  
8 references - additional treatment of tax -  
9 deductions - eligibility - annual cap - effective  
10 date ]

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

SECTION 1. AMENDATORY 68 O.S. 2021, Section 2370, is amended to read as follows:

Section 2370. A. For taxable years beginning after December 31, 2021, for the privilege of doing business within this state, every state banking association, national banking association and credit union organized under the laws of this state, located or doing business within the limits of ~~the State of Oklahoma~~ this state shall annually pay to this state a privilege tax at the rate of four percent (4%) of the amount of the taxable income as provided in this section.

1 B. 1. The privilege tax levied by this section shall be in  
2 addition to ~~the Business Activity Tax levied in Section 1218 of this~~  
3 ~~title and~~ the franchise tax levied in Article 12 of this title and  
4 in lieu of the tax levied by Section 2355 of this title and in lieu  
5 of all taxes levied by ~~the State of Oklahoma~~ this state, or any  
6 subdivision thereof, upon the shares of stock or personal property  
7 of any banking association or credit union subject to taxation under  
8 this section.

9 2. Nothing in this section shall be construed to exempt the  
10 real property of any banking associations or credit unions from  
11 taxation to the same extent, according to its value, as other real  
12 property is taxed. Nothing herein shall be construed to exempt an  
13 association from payment of any fee or tax authorized or levied  
14 pursuant to ~~the~~ banking laws.

15 3. Personal property which is subject to a lease agreement  
16 between a bank or credit union, as lessor, and a nonbanking business  
17 entity or individual, as lessee, is not exempt from personal  
18 property ad valorem taxation. Provided further, that it shall be  
19 the duty of the lessee of such personal property to return sworn  
20 lists or schedules of ~~their~~ the lessee's taxable property within  
21 each county to the county assessor of such county as provided in  
22 ~~Sections 2433 and 2434 of this title~~ the Ad Valorem Tax Code.

23 C. Any tax levied under this section shall accrue on the last  
24 day of the taxable year and be payable as provided in Section 2375

1 of this title. The accrual of such tax for ~~the first taxable year~~  
2 ~~to which this act applies,~~ 1971 shall apply notwithstanding the  
3 prior accrual of a tax in the same taxable year based upon the net  
4 income of the next preceding taxable year; provided, however, any  
5 additional deduction ~~ensuring~~ inuring to the benefit of the taxpayer  
6 shall be deducted in accordance with the optional transitional  
7 deduction procedures in Section 2354 of this title.

8 D. The basis of the tax shall be United States taxable income  
9 as defined in paragraph 10 of Section 2353 of this title and any  
10 adjustments thereto under the provisions of Section 2358 of this  
11 title with the following adjustments:

12 1. There shall be deducted all interest income on obligations  
13 of the United States government and agencies thereof not otherwise  
14 exempted and all interest income on obligations of ~~the State of~~  
15 ~~Oklahoma~~ this state or political subdivisions thereof, including  
16 public trust authorities, not otherwise exempted under the laws of  
17 this state; and

18 2. Expense deductions claimed in arriving at taxable income  
19 under paragraph 10 of Section 2353 of this title shall be reduced by  
20 an amount equal to fifty percent (50%) of excluded interest income  
21 on obligations of the United States government or agencies thereof  
22 and obligations of ~~the State of Oklahoma~~ this state or political  
23 subdivisions thereof.

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1 E. 1. Except as otherwise provided in paragraph 2 of this  
2 subsection, before January 1, 2017, there shall be allowed a credit  
3 against the tax levied in subsection A of this section in an amount  
4 equal to the amount of taxable income received by a participating  
5 financial institution as defined in Section 90.2 of Title 62 of the  
6 Oklahoma Statutes pursuant to a loan made under the Rural Economic  
7 Development Loan Act. Such credit shall be limited each year to  
8 five percent (5%) of the amount of annual payroll certified by the  
9 Oklahoma Rural Economic Development Loan Program Review Board  
10 pursuant to the provisions of paragraph 3 of subsection B of Section  
11 90.4 of Title 62 of the Oklahoma Statutes with respect to the loan  
12 made by the participating financial institution and may be claimed  
13 for any number of years necessary until the amount of total credits  
14 claimed is equal to the total amount of taxable income received by  
15 the participating financial institution pursuant to the loan. Any  
16 credit allowed but not used in a taxable year may be carried forward  
17 for a period not to exceed five (5) taxable years. In no event  
18 shall a credit allowed pursuant to the provisions of this subsection  
19 be transferable or refundable.

20 2. No credit otherwise authorized by the provisions of this  
21 subsection may be claimed for any event, transaction, investment,  
22 expenditure or other act occurring on or after July 1, 2010, for  
23 which the credit would otherwise be allowable. The provisions of  
24 this paragraph shall cease to be operative on July 1, 2012.

1 Beginning July 1, 2012, the credit authorized by this subsection may  
2 be claimed for any event, transaction, investment, expenditure or  
3 other act occurring on or after July 1, 2012, according to the  
4 provisions of this subsection.

5 F. 1. For tax year 2025 and subsequent tax years, national  
6 banking associations, state banks, trust companies, savings and loan  
7 associations, and other lending institutions organized under the  
8 laws of this state and whose main office is located in this state  
9 shall be allowed as a deduction from net income the net interest  
10 income received from qualified agricultural real estate loans  
11 attributed to this state, net interest income received from  
12 agricultural operating loans attributed to this state, and net  
13 interest income received from single-family residence loans  
14 attributed to this state, as defined in this subsection, to the  
15 extent such interest is included in the Oklahoma taxable income of a  
16 corporation.

17 2. The deduction authorized by this subsection may be claimed  
18 for interest earned on eligible loans made after December 31, 2024,  
19 and before January 1, 2028.

20 3. Financial institutions with Oklahoma-based deposits of more  
21 than Seven Hundred Fifty Million Dollars (\$750,000,000.00) shall be  
22 entitled to no more than Five Hundred Thousand Dollars (\$500,000.00)  
23 per institution in deductible interest earned over a three-year  
24 period under the provisions of this section. Financial institutions

1 with Oklahoma-based deposits of Seven Hundred Fifty Million Dollars  
2 (\$750,000,000.00) or less shall be entitled to no more than Two  
3 Hundred Fifty Thousand Dollars (\$250,000.00) per institution in  
4 deductible interest earned over a three-year period under the  
5 provisions of this section.

6 4. For tax year 2027 and subsequent tax years, the total amount  
7 of deductions authorized by this subsection shall be adjusted  
8 annually to limit the annual amount of deductions to Five Million  
9 Dollars (\$5,000,000.00). The Oklahoma Tax Commission shall annually  
10 calculate and publish a percentage by which the deductions  
11 authorized by this subsection shall be reduced so the total amount  
12 of deductions does not exceed Five Million Dollars (\$5,000,000.00)  
13 per tax year. The formula to be used for the percentage adjustment  
14 shall be Five Million Dollars (\$5,000,000.00) divided by the amount  
15 of deductions claimed in the second preceding tax year. In the  
16 event the total deductions authorized by this subsection exceed Five  
17 Million Dollars (\$5,000,000.00) in any tax year, the Commission  
18 shall permit any excess, but shall factor such excess into the  
19 percentage adjustment formula for subsequent tax years.

20 5. As used in this subsection:

21 a. "interest" means interest on an indebtedness  
22 attributed to this state and incurred in the ordinary  
23 course of the active conduct of any business and

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1 interest on indebtedness incurred that is secured by a  
2 single-family residence,

3 b. "qualified agricultural real estate loans" means loans  
4 made on real property that are substantially used for  
5 the production of one or more agricultural products,  
6 and:

7 (1) have maturities of not less than five (5) years  
8 and not more than forty (40) years,

9 (2) are secured by a first lien interest in real  
10 estate, except that the loans may be secured by a  
11 second lien interest if the institution also  
12 holds the first lien on the real property, and

13 (3) have an outstanding loan balance, which when  
14 made, is less than eighty-five percent (85%) of  
15 the appraised value of the real estate, except  
16 loans for which private mortgage insurance is  
17 obtained may exceed eighty-five percent (85%) of  
18 the appraised value of the real estate to the  
19 extent a loan amount in excess of eighty-five  
20 percent (85%) is covered by such insurance,

21 c. "agriculture operating loans" means loans made for the  
22 purpose of:

23 (1) the purchase, care, feeding, or refinancing of  
24 livestock or poultry,

- 1           (2) purchasing seed, and  
2           (3) the purchase and maintenance of equipment, which  
3           shall include, but is not limited to, fences,  
4           barns, sheds, tractors, combines, and vehicles,

5   d. "single-family residence" means a residence that:

- 6           (1) is the principal residence of its occupant,  
7           (2) is located in this state, in a rural area that is  
8           not within the city limits of a town with a  
9           population of five thousand (5,000) or more as  
10           determined according to the most recent Federal  
11           Decennial Census for which data is available, and  
12           (3) is purchased or improved with the proceeds of the  
13           loan,

14   e. "net interest income received from qualified  
15           agricultural real estate loans attributed to the  
16           state" means the product of the ratio of the interest  
17           income earned on qualified agricultural real estate  
18           loans over total interest income earned, in relation  
19           to the net income of the national banking association,  
20           state bank, trust company, savings and loan  
21           association, or other lending institution without  
22           regard to this deduction,

23   f. "net interest income received from agricultural  
24           operating loans attributed to this state" means the



1 product of the ratio of the interest income earned on  
2 agricultural operating loans over total interest  
3 income earned, in relation to the net income of the  
4 national banking association, state bank, trust  
5 company, savings and loan association, or other  
6 lending institution without regard to this deduction,  
7 and

8 g. "net interest income received from single-family  
9 residence loans attributed to this state" means the  
10 product of the ratio of the interest income earned on  
11 single-family residence loans over total interest  
12 income earned, in relation to the net income of the  
13 national banking association, state bank, trust  
14 company, savings and loan association, or other  
15 lending institution without regard to this deduction.

16 SECTION 2. This act shall become effective November 1, 2025.  
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1 Passed the House of Representatives the 25th day of March, 2025.

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3 \_\_\_\_\_  
4 Presiding Officer of the House  
5 of Representatives

6 Passed the Senate the \_\_\_\_ day of \_\_\_\_\_, 2025.

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8 \_\_\_\_\_  
9 Presiding Officer of the Senate