

STATE OF OKLAHOMA

2nd Session of the 60th Legislature (2026)

HOUSE BILL 3548

By: Maynard

AS INTRODUCED

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

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

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

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

6 SECTION 2. AMENDATORY 68 O.S. 2021, Section 1357, as
7 last amended by Section 1, Chapter 391, O.S.L. 2025 (68 O.S. Supp.
8 2025, Section 1357), is amended to read as follows:

9 Section 1357. Exemptions - General.

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

12 1. Transportation of school pupils to and from elementary
13 schools or high schools in motor or other vehicles;

14 2. Transportation of persons where the fare of each person does
15 not exceed One Dollar (\$1.00), or local transportation of persons
16 within the corporate limits of a municipality except by taxicabs;

17 3. Sales for resale to persons engaged in the business of
18 reselling the articles purchased, whether within or without the
19 state, provided that such sales to residents of this state are made
20 to persons to whom sales tax permits have been issued as provided in
21 the Oklahoma Sales Tax Code. This exemption shall not apply to the
22 sales of articles made to persons holding permits when such persons
23 purchase items for their use and which they are not regularly
24 engaged in the business of reselling; neither shall this exemption

1 apply to sales of tangible personal property to peddlers, solicitors
2 and other salespersons who do not have an established place of
3 business and a sales tax permit. The exemption provided by this
4 paragraph shall apply to sales of motor fuel or diesel fuel to a
5 Group Five vendor, but the use of such motor fuel or diesel fuel by
6 the Group Five vendor shall not be exempt from the tax levied by the
7 Oklahoma Sales Tax Code. The purchase of motor fuel or diesel fuel
8 is exempt from sales tax when the motor fuel is for shipment outside
9 this state and consumed by a common carrier by rail in the conduct
10 of its business. The sales tax shall apply to the purchase of motor
11 fuel or diesel fuel in Oklahoma by a common carrier by rail when
12 such motor fuel is purchased for fueling, within this state, of any
13 locomotive or other motorized flanged wheel equipment;

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

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

24

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

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

22 8. Sale of natural or artificial gas and electricity, and
23 associated delivery or transmission services, when sold exclusively
24 for residential use. Provided, this exemption shall not apply to

1 any sales tax levied by a city or town, or a county or any other
2 jurisdiction in this state;

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

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

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

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

1 13. Sales of food or food products, or any equipment or
2 supplies used in the preparation of the food or food products to or
3 by an organization which:

4 a. is exempt from taxation pursuant to the provisions of
5 Section 501(c)(3) of the Internal Revenue Code of
6 1986, as amended, 26 U.S.C., Section 501(c)(3), and
7 which provides and delivers prepared meals for home
8 consumption to elderly or homebound persons as part of
9 a program commonly known as "Meals on Wheels" or
10 "Mobile Meals", or

11 b. is exempt from taxation pursuant to the provisions of
12 Section 501(c)(3) of the Internal Revenue Code of
13 1986, as amended, 26 U.S.C., Section 501(c)(3), and
14 which receives federal funding pursuant to the Older
15 Americans Act of 1965, as amended, for the purpose of
16 providing nutrition programs for the care and benefit
17 of elderly persons;

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

23 (1) are primarily involved in the collection and
24 distribution of food and other household products

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

9 b. Sales made in the course of business for profit or
10 savings, competing with other persons engaged in the
11 same or similar business shall not be exempt under
12 this paragraph;

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

18 16. Sales of computers, data processing equipment, related
19 peripherals, and telephone, telegraph or telecommunications service
20 and equipment for use in a qualified aircraft maintenance or
21 manufacturing facility. For purposes of this paragraph, "qualified
22 aircraft maintenance or manufacturing facility" means a new or
23 expanding facility primarily engaged in aircraft repair, building or
24 rebuilding, whether or not on a factory basis, whose total cost of

1 construction exceeds the sum of Five Million Dollars (\$5,000,000.00)
2 and which employs at least two hundred fifty new full-time-
3 equivalent employees, as certified by the Oklahoma Employment
4 Security Commission, upon completion of the facility. In order to
5 qualify for the exemption provided for by this paragraph, the cost
6 of the items purchased by the qualified aircraft maintenance or
7 manufacturing facility shall equal or exceed the sum of Two Million
8 Dollars (\$2,000,000.00);

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

18 18. Sales of the following telecommunications services:

19 a. interstate and international 800 service. "800
20 service" means a telecommunications service that
21 allows a caller to dial a toll-free number without
22 incurring a charge for the call. The service is
23 typically marketed under the name "800", "855", "866",
24 "877" and "888" toll-free calling, and any subsequent

1 numbers designated by the Federal Communications
2 Commission,

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

15 c. interstate and international private communications
16 service. "Private communications service" means a
17 telecommunications service that entitles the customer
18 to exclusive or priority use of a communications
19 channel or group of channels between or among
20 termination points, regardless of the manner in which
21 such channel or channels are connected, and includes
22 switching capacity, extension lines, stations and any
23 other associated services that are provided in
24 connection with the use of such channel or channels,

- 1 d. value-added nonvoice data service. "Value-added
2 nonvoice data service" means a service that otherwise
3 meets the definition of telecommunications services in
4 which computer processing applications are used to act
5 on the form, content, code or protocol of the
6 information or data primarily for a purpose other than
7 transmission, conveyance, or routing,
- 8 e. interstate and international telecommunications
9 service which is:
- 10 (1) rendered by a company for private use within its
11 organization, or
- 12 (2) used, allocated or distributed by a company to
13 its affiliated group,
- 14 f. regulatory assessments and charges including charges
15 to fund the Oklahoma Universal Service Fund, the
16 Oklahoma Lifeline Fund and the Oklahoma High Cost
17 Fund, and
- 18 g. telecommunications nonrecurring charges including but
19 not limited to the installation, connection, change,
20 or initiation of telecommunications services which are
21 not associated with a retail consumer sale;

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

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

21 21. Sales of machinery and equipment purchased and used by
22 persons and establishments primarily engaged in computer services
23 and data processing:
24

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

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

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

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

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

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

18 25. Sales of tangible personal property or services to tax-
19 exempt independent nonprofit biomedical research foundations that
20 provide educational programs for Oklahoma science students and
21 teachers and to tax-exempt independent nonprofit community blood
22 banks headquartered in this state;

23 26. Effective May 6, 1992, sales of wireless telecommunications
24 equipment to a vendor who subsequently transfers the equipment at no

1 charge or for a discounted charge to a consumer as part of a
2 promotional package or as an inducement to commence or continue a
3 contract for wireless telecommunications services;

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

7 28. Beginning July 1, 2005, sales of aircraft engine repairs,
8 modification, and replacement parts, sales of aircraft frame repairs
9 and modification, aircraft interior modification, and paint, and
10 sales of services employed in the repair, modification, and
11 replacement of parts of aircraft engines, aircraft frame and
12 interior repair and modification, and paint;

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

16 a. are loaded on the ship, motor vessel, or barge and
17 used in the maintenance and operation of the ship,
18 motor vessel, or barge, or

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

21 30. Sales of tangible personal property made at estate sales at
22 which such property is offered for sale on the premises of the
23 former residence of the decedent by a person who is not required to
24 be licensed pursuant to the Transient Merchant Licensing Act, or who

1 is not otherwise required to obtain a sales tax permit for the sale
2 of such property pursuant to the provisions of Section 1364 of this
3 title; provided:

- 4 a. such sale or event may not be held for a period
5 exceeding three (3) consecutive days,
- 6 b. the sale must be conducted within six (6) months of
7 the date of death of the decedent, and
- 8 c. the exemption allowed by this paragraph shall not be
9 allowed for property that was not part of the
10 decedent's estate;

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

19 32. Sales of prewritten computer software that is delivered
20 electronically. For purposes of this paragraph, "delivered
21 electronically" means delivered to the purchaser by means other than
22 tangible storage media;

23 33. Sales of modular dwelling units when built at a production
24 facility and moved in whole or in parts, to be assembled on-site,

1 and permanently affixed to the real property and used for
2 residential or commercial purposes. The exemption provided by this
3 paragraph shall equal forty-five percent (45%) of the total sales
4 price of the modular dwelling unit. For purposes of this paragraph,
5 "modular dwelling unit" means a structure that is not subject to the
6 motor vehicle excise tax imposed pursuant to Section 2103 of this
7 title;

8 34. Sales of tangible personal property or services to:

- 9 a. persons who are residents of Oklahoma and have been
10 honorably discharged from active service in any branch
11 of the Armed Forces of the United States or Oklahoma
12 National Guard and who have been certified by the
13 United States Department of Veterans Affairs or its
14 successor to be in receipt of disability compensation
15 at the one-hundred-percent rate and the disability
16 shall be permanent and have been sustained through
17 military action or accident or resulting from disease
18 contracted while in such active service and registered
19 with the veterans registry created by the Oklahoma
20 Department of Veterans Affairs, or
21 b. the surviving spouse of the person in subparagraph a
22 of this paragraph if the person is deceased and the
23 spouse has not remarried and the surviving spouse of a
24 person who is determined by the United States

1 Department of Defense or any branch of the United
2 States military to have died while in the line of duty
3 if the spouse has not remarried. Sales for the
4 benefit of an eligible person to a spouse of the
5 eligible person or to a member of the household in
6 which the eligible person resides and who is
7 authorized to make purchases on the person's behalf,
8 when such eligible person is not present at the sale,
9 shall also be exempt for purposes of this paragraph.
10 The Oklahoma Tax Commission shall issue a separate
11 exemption card to a spouse of an eligible person or to
12 a member of the household in which the eligible person
13 resides who is authorized to make purchases on the
14 person's behalf, if requested by the eligible person.
15 Sales qualifying for the exemption authorized by this
16 paragraph shall not exceed Twenty-five Thousand
17 Dollars (\$25,000.00) per year per individual while the
18 disabled veteran is living. Sales qualifying for the
19 exemption authorized by this paragraph shall not
20 exceed One Thousand Dollars (\$1,000.00) per year for
21 an unremarried surviving spouse. Upon request of the
22 Tax Commission, a person asserting or claiming the
23 exemption authorized by this paragraph shall provide a
24 statement, executed under oath, that the total sales

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

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

16 36. Sales of intrastate charter and tour bus transportation.
17 As used in this paragraph, "intrastate charter and tour bus
18 transportation" means the transportation of persons from one
19 location in this state to another location in this state in a motor
20 vehicle which has been constructed in such a manner that it may
21 lawfully carry more than eighteen persons, and which is ordinarily
22 used or rented to carry persons for compensation. Provided, this
23 exemption shall not apply to regularly scheduled bus transportation
24 for the general public;

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

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

18 39. Sales of tangible personal property consumed or
19 incorporated in the construction or expansion of a facility for a
20 corporation organized under Section 437 et seq. of Title 18 of the
21 Oklahoma Statutes as a rural electric cooperative. For purposes of
22 this paragraph, sales made to a contractor or subcontractor that has
23 previously entered into a contractual relationship with a rural
24

1 electric cooperative for construction or expansion of a facility
2 shall be considered sales made to a rural electric cooperative;

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

14 41. On or after July 1, 2019, and prior to July 1, 2024, sales
15 or leases of rolling stock when sold or leased by the manufacturer,
16 regardless of whether the purchaser is a public services corporation
17 engaged in business as a common carrier of property or passengers by
18 railway, for use or consumption by a common carrier directly in the
19 rendition of public service. For purposes of this paragraph,
20 "rolling stock" means locomotives, autocars, and railroad cars and
21 "sales or leases" includes railroad car maintenance and retrofitting
22 of railroad cars for their further use only on the railways;

23 42. Sales of gold, silver, platinum, palladium or other bullion
24 items such as coins and bars and legal tender of any nation, which

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

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

12 44. Sales of firearm safety devices and gun safety devices. As
13 used in this paragraph:

- 14 a. "firearm safety device" means a gun safe, gun case,
15 gun lock box, trigger lock, barrel lock, or other
16 device that is designed to be used to store a firearm
17 and that is designed to be unlocked only by means of a
18 key, combination, or other similar means, and
- 19 b. "gun safety device" means any integral device to be
20 equipped or installed on a firearm that permits a user
21 to program the firearm to operate only for specified
22 persons designated by the user through computerized
23 locking devices or other means integral to and
24 permanently part of the firearm; and

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

7 a. the business receives only limited assistance from
8 adults in the form of supervision, transportation,
9 safety oversight, or other incidental support that
10 does not constitute material management or operation
11 of the business,

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

15 c. the business operates only on private property with
16 the consent of the owner or lawful possessor of the
17 property, or as part of a community event that
18 separately registers youth vendors.

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

22 SECTION 3. AMENDATORY 68 O.S. 2021, Section 2358, as
23 last amended by Section 1, Chapter 166, O.S.L. 2024 (68 O.S. Supp.
24 2025, Section 2358), is amended to read as follows:

1 Section 2358. For all tax years beginning after December 31,
2 1981, taxable income and adjusted gross income shall be adjusted to
3 arrive at Oklahoma taxable income and Oklahoma adjusted gross income
4 as required by this section.

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

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

13 2. There shall be deducted amounts included in such income that
14 the state is prohibited from taxing because of the provisions of the
15 Federal Constitution, the State Constitution, federal laws or laws
16 of Oklahoma.

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

19 a. For carryovers and carrybacks to taxable years
20 beginning before January 1, 1981, the amount of any
21 net operating loss deduction allowed to a taxpayer for
22 federal income tax purposes shall be reduced to an
23 amount which is the same portion thereof as the loss
24 from sources within this state, as determined pursuant

1 to this section and Section 2362 of this title, for
2 the taxable year in which such loss is sustained is of
3 the total loss for such year;

4 b. For carryovers and carrybacks to taxable years

5 beginning after December 31, 1980, the amount of any
6 net operating loss deduction allowed for the taxable
7 year shall be an amount equal to the aggregate of the
8 Oklahoma net operating loss carryovers and carrybacks
9 to such year. Oklahoma net operating losses shall be
10 separately determined by reference to Section 172 of
11 the Internal Revenue Code, 26 U.S.C., Section 172, as
12 modified by the Oklahoma Income Tax Act, Section 2351
13 et seq. of this title, and shall be allowed without
14 regard to the existence of a federal net operating
15 loss. For tax years beginning after December 31,
16 2000, and ending before January 1, 2008, the years to
17 which such losses may be carried shall be determined
18 solely by reference to Section 172 of the Internal
19 Revenue Code, 26 U.S.C., Section 172, with the
20 exception that the terms "net operating loss" and
21 "taxable income" shall be replaced with "Oklahoma net
22 operating loss" and "Oklahoma taxable income". For
23 tax years beginning after December 31, 2007, and
24 ending before January 1, 2009, years to which such

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

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

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

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

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

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

(50%) of the value of the partnership's assets consists of intangible assets, capital or ordinary gains or losses from the sale of an ownership interest in the partnership shall be allocated to this state in accordance with the sales factor of the partnership for its first full tax period immediately preceding its tax period during which the ownership interest in the partnership was sold; the provisions of this division shall only apply if the capital or ordinary gains or losses from the sale of an ownership interest in a partnership do not constitute qualifying gain receiving capital treatment as defined in subparagraph a of paragraph 2 of subsection F of this section,

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 services rendered everywhere during the tax period.

2 "Compensation", as used in this subsection, means
3 those paid-for services to the extent related to the
4 unitary business but does not include officers'
5 salaries, wages and other compensation.

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

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

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

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

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

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

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

1 numerator of the fraction shall include a portion
2 of revenue from interstate transportation in the
3 proportion that interstate mileage traveled in
4 this state bears to total interstate mileage
5 traveled.

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

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

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

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

1 income has been attributed to this state, or require, when in its
2 judgment an insufficient portion of net income has been attributed
3 to this state, the elimination, substitution, or use of additional
4 factors, or reduction or increase in the weight of such prescribed
5 factors. Provided, however, that any such variance from such
6 prescribed factors which has the effect of increasing the portion of
7 net income attributable to this state must not be inherently
8 arbitrary, and application of the recomputed final apportionment to
9 the net income of the enterprise must attribute to this state only a
10 reasonable portion 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 buildings, structures, fixtures and improvements used
15 or operated primarily for the processing or production
16 of marketable products from agricultural commodities.
17 The term shall also mean a dairy operation that
18 requires a depreciable investment of at least Two
19 Hundred Fifty Thousand Dollars (\$250,000.00) and which
20 produces milk from dairy cows. The term does not
21 include a facility that provides only, and nothing
22 more than, storage, cleaning, drying or transportation
23 of agricultural commodities, and
24

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

- (1) the processing of agricultural commodities, including receiving or storing agricultural commodities, or the production of milk at a dairy operation,
- (2) transporting the agricultural commodities or product before, during or after the processing, or
- (3) packaging or otherwise preparing the product for sale or shipment.

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

- a. Sixty Thousand Dollars (\$60,000.00), or
- b. the loss properly shown on Schedule F of the Internal Revenue Service Form 1040 reduced by one-half (1/2) of the income from all other sources other than reflected 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 by Section 1231 of the American
24 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 12. For tax year 2025 and subsequent tax years, an employer
24 providing paid leave to an employee for the purpose of volunteering

1 as a poll worker with a county election board in this state shall
2 receive an exemption from taxable income in the amount of One
3 Hundred Dollars (\$100.00) for each day of leave provided in the tax
4 year. The employer shall provide documentation from the applicable
5 county election board showing the employee volunteered, upon request
6 of the Oklahoma Tax Commission.

7 B. 1. The taxable income of any corporation shall be further
8 adjusted to arrive at Oklahoma taxable income, except those
9 corporations electing treatment as provided in subchapter S of the
10 Internal Revenue Code, 26 U.S.C., Section 1361 et seq., and Section
11 2365 of this title, deductions pursuant to the provisions of the
12 Accelerated Cost Recovery System as defined and allowed in the
13 Economic Recovery Tax Act of 1981, Public Law 97-34, 26 U.S.C.,
14 Section 168, for depreciation of assets placed into service after
15 December 31, 1981, shall not be allowed in calculating Oklahoma
16 taxable income. Such corporations shall be allowed a deduction for
17 depreciation of assets placed into service after December 31, 1981,
18 in accordance with provisions of the Internal Revenue Code, 26
19 U.S.C., Section 1 et seq., in effect immediately prior to the
20 enactment of the Accelerated Cost Recovery System. The Oklahoma tax
21 basis for all such assets placed into service after December 31,
22 1981, calculated in this section shall be retained and utilized for
23 all Oklahoma income tax purposes through the final disposition of
24 such assets.

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

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

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

20 C. 1. For taxable years beginning after December 31, 1987, the
21 taxable income of any corporation shall be further adjusted to
22 arrive at Oklahoma taxable income for transfers of technology to
23 qualified small businesses located in this state. Such transferor
24 corporation shall be allowed an exemption from taxable income of an

1 amount equal to the amount of royalty payment received as a result
2 of such transfer; provided, however, such amount shall not exceed
3 ten percent (10%) of the amount of gross proceeds received by such
4 transferor corporation as a result of the technology transfer. Such
5 exemption shall be allowed for a period not to exceed ten (10) years
6 from the date of receipt of the first royalty payment accruing from
7 such transfer. No exemption may be claimed for transfers of
8 technology to qualified small businesses made prior to January 1,
9 1988.

10 2. For purposes of this subsection:

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

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

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

21 (3) Not a subsidiary or affiliate of the transferor
22 corporation;

23 b. "Technology" means a proprietary process, formula,
24 pattern, device or compilation of scientific or

1 technical information which is not in the public
2 domain;

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

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

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

17 2. As used in this subsection:

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

23 (1) the sale of real property or tangible personal
24 property located within this state that has been

1 directly or indirectly owned by the corporation,
2 estate or trust for a holding period of at least
3 five (5) years prior to the date of the
4 transaction from which such net capital gains
5 arise,

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

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

- b. "holding period" means an uninterrupted period of time. The holding period shall include any additional period when the property was held by another individual or entity, if such additional period is included in the taxpayer's holding period for the asset pursuant to the Internal Revenue Code,
- c. "Oklahoma company", "limited liability company", or "partnership" means an entity whose primary headquarters have been located in this state for at least three (3) uninterrupted years prior to the date of the transaction from which the net capital gains arise,
- d. "direct" means the taxpayer directly owns the asset, and
- e. "indirect" means the taxpayer owns an interest in a pass-through entity (or chain of pass-through entities) that sells the asset that gives rise to the qualifying gains receiving capital treatment.
- (1) With respect to sales of real property or tangible personal property located within this state, the deduction described in this subsection shall not apply unless the pass-through entity that makes the sale has held the property for not less than five (5) uninterrupted years prior to

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

8 (2) With respect to sales of stock or ownership
9 interest in or sales of all or substantially all
10 of the assets of an Oklahoma company, limited
11 liability company, or partnership, the deduction
12 described in this subsection shall not apply
13 unless the pass-through entity that makes the
14 sale has held the stock or ownership interest or
15 the assets for not less than three (3)
16 uninterrupted years prior to the date of the
17 transaction that created the capital gain, and
18 each pass-through entity included in the chain of
19 ownership has been a member, partner or
20 shareholder of the pass-through entity in the
21 tier immediately below it for an uninterrupted
22 period of not less than three (3) years.
23
24

1 E. The Oklahoma adjusted gross income of any individual
2 taxpayer shall be further adjusted as follows to arrive at Oklahoma
3 taxable income:

4 1. a. In the case of individuals, there shall be added or
5 deducted, as the case may be, the difference necessary
6 to allow personal exemptions of One Thousand Dollars
7 (\$1,000.00) in lieu of the personal exemptions allowed
8 by the Internal Revenue Code.

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

20 c. There shall be allowed an additional exemption of One
21 Thousand Dollars (\$1,000.00) for each taxpayer or
22 spouse who is sixty-five (65) years of age or older at
23 the close of the tax year based upon the filing status
24 and federal adjusted gross income of the taxpayer.

1 Taxpayers with the following filing status may claim
2 this exemption if the federal adjusted gross income
3 does not exceed:

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

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

- 20 2. a. For taxable years beginning on or before December 31,
21 2005, in the case of individuals who use the standard
22 deduction in determining taxable income, there shall
23 be added or deducted, as the case may be, the
24 difference necessary to allow a standard deduction in

1 lieu of the standard deduction allowed by the Internal
2 Revenue Code, in an amount equal to the larger of
3 fifteen percent (15%) of the Oklahoma adjusted gross
4 income or One Thousand Dollars (\$1,000.00), but not to
5 exceed Two Thousand Dollars (\$2,000.00), except that
6 in the case of a married individual filing a separate
7 return such deduction shall be the larger of fifteen
8 percent (15%) of such Oklahoma adjusted gross income
9 or Five Hundred Dollars (\$500.00), but not to exceed
10 the maximum amount of One Thousand Dollars
11 (\$1,000.00).

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

- 20 (1) Three Thousand Dollars (\$3,000.00), if the filing
21 status is married filing joint, head of household
22 or qualifying widow; or
23 (2) Two Thousand Dollars (\$2,000.00), if the filing
24 status is single or married filing separate.

1 c. For the taxable year beginning on January 1, 2007, and
2 ending December 31, 2007, in the case of individuals
3 who use the standard deduction in determining taxable
4 income, there shall be added or deducted, as the case
5 may be, the difference necessary to allow a standard
6 deduction in lieu of the standard deduction allowed by
7 the Internal Revenue Code, in an amount equal to:

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

11 (2) Four Thousand One Hundred Twenty-five Dollars
12 (\$4,125.00) for a head of household; or

13 (3) Two Thousand Seven Hundred Fifty Dollars
14 (\$2,750.00), if the filing status is single or
15 married filing separate.

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

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

4 (2) Four Thousand Eight Hundred Seventy-five Dollars
5 (\$4,875.00) for a head of household, or

6 (3) Three Thousand Two Hundred Fifty Dollars
7 (\$3,250.00), if the filing status is single or
8 married filing separate.

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

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

19 (2) Six Thousand Three Hundred Seventy-five Dollars
20 (\$6,375.00) for a head of household, or

21 (3) Four Thousand Two Hundred Fifty Dollars
22 (\$4,250.00), if the filing status is single or
23 married filing separate.
24

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

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

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

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

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

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

1 provisions of paragraph 24 of this subsection, shall
2 not exceed Seventeen Thousand Dollars (\$17,000.00).
3 For purposes of this subparagraph, charitable
4 contributions and medical expenses deductible for
5 federal income tax purposes shall be excluded from the
6 amount of Seventeen Thousand Dollars (\$17,000.00) as
7 specified by this subparagraph.

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

20 5. a. Before July 1, 2010, the first One Thousand Five
21 Hundred Dollars (\$1,500.00) received by any person
22 from the United States as salary or compensation in
23 any form, other than retirement benefits, as a member
24

1 of any component of the Armed Forces of the United
2 States shall be deducted from taxable income.

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

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

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

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

17 (3) confinement in a hospital within the United
18 States for treatment of wounds, injuries or
19 disease,

20 the time for filing a return and paying an income tax
21 shall be and is hereby extended without incurring
22 liability for interest or penalties, to the fifteenth
23 day of the third month following the month in which:
24

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

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

20 6. Before July 1, 2010, the salary or any other form of
21 compensation, received from the United States by a member of any
22 component of the Armed Forces of the United States, shall be
23 deducted from taxable income during the time in which the person is
24 detained by the enemy in a conflict, is a prisoner of war or is

1 missing in action and not deceased; provided, after July 1, 2010,
2 all such salary or compensation shall be subject to the deduction as
3 provided pursuant to paragraph 5 of this subsection.

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

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

17 c. For the purpose of this paragraph, "federal income
18 taxes paid" shall mean federal income taxes, surtaxes
19 imposed on incomes or excess profits taxes, as though
20 the taxpayer was on the accrual basis. In determining
21 the amount of deduction for federal income taxes for
22 tax year 2001, the amount of the deduction shall not
23 be adjusted by the amount of any accelerated ten
24 percent (10%) tax rate bracket credit or advanced

1 refund of the credit received during the tax year
2 provided pursuant to the federal Economic Growth and
3 Tax Relief Reconciliation Act of 2001, P.L. No. 107-
4 16, and the advanced refund of such credit shall not
5 be subject to taxation.

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

9 8. Retirement benefits not to exceed Five Thousand Five Hundred
10 Dollars (\$5,500.00) for the 2004 tax year, Seven Thousand Five
11 Hundred Dollars (\$7,500.00) for the 2005 tax year and Ten Thousand
12 Dollars (\$10,000.00) for the 2006 tax year and all subsequent tax
13 years, which are received by an individual from the civil service of
14 the United States, the Oklahoma Public Employees Retirement System,
15 the Teachers' Retirement System of Oklahoma, the Oklahoma Law
16 Enforcement Retirement System, the Oklahoma Firefighters Pension and
17 Retirement System, the Oklahoma Police Pension and Retirement
18 System, the employee retirement systems created by counties pursuant
19 to Section 951 et seq. of Title 19 of the Oklahoma Statutes, the
20 Uniform Retirement System for Justices and Judges, the Oklahoma
21 Wildlife Conservation Department Retirement Fund, the Oklahoma
22 Employment Security Commission Retirement Plan, or the employee
23 retirement systems created by municipalities pursuant to Section 48-
24

1 101 et seq. of Title 11 of the Oklahoma Statutes shall be exempt
2 from taxable income.

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

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

22 11. In taxable years beginning after December 31, 1995,
23 contributions made to and interest received from a medical savings
24

1 account established pursuant to Sections 2621 through 2623 of Title
2 63 of the Oklahoma Statutes shall be exempt from taxable income.

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

15 13. a. In taxable years beginning after December 31, 2002,
16 nonrecurring adoption expenses paid by a resident
17 individual taxpayer in connection with:
18 (1) the adoption of a minor, or
19 (2) a proposed adoption of a minor which did not
20 result in a decreed adoption,
21 may be deducted from the Oklahoma adjusted gross
22 income.
23
24

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

1 property, except for a special needs child as
2 authorized by the court.

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

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

21 (1) in taxable years beginning after December 31,
22 2004, and prior to January 1, 2007, the
23 qualifying amount shall be Thirty-seven Thousand
24 Five Hundred Dollars (\$37,500.00) or less if the

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

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

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

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

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

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

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

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

(5) United States Retirement Bonds which satisfy the requirements of Section 86 of the Internal Revenue Code, 26 U.S.C., Section 86, or
(6) lump-sum distributions from a retirement plan which satisfies the requirements of Section 402(e) of the Internal Revenue Code, 26 U.S.C., Section 402(e).

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

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

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

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

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

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

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

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

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

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

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

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

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

5 f. As used in this paragraph:

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

9 (a) a qualified withdrawal,

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2. As used in this subsection:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- 1 a. the term "real estate investment trust" or "REIT"
- 2 means the meaning ascribed to such term in Section 856
- 3 of the Internal Revenue Code,
- 4 b. the term "captive real estate investment trust" means
- 5 a real estate investment trust, the shares or
- 6 beneficial interests of which are not regularly traded
- 7 on an established securities market and more than
- 8 fifty percent (50%) of the voting power or value of
- 9 the beneficial interests or shares of which are owned
- 10 or controlled, directly or indirectly, or
- 11 constructively, by a single entity that is:
- 12 (1) treated as an association taxable as a
- 13 corporation under the Internal Revenue Code, and
- 14 (2) not exempt from federal income tax pursuant to
- 15 the provisions of Section 501(a) of the Internal
- 16 Revenue Code.
- 17 The term shall not include a real estate investment
- 18 trust that is intended to be regularly traded on an
- 19 established securities market, and that satisfies the
- 20 requirements of Section 856(a)(5) and (6) of the U.S.
- 21 Internal Revenue Code by reason of Section 856(h)(2)
- 22 of the Internal Revenue Code,
- 23 c. the term "association taxable as a corporation" shall
- 24 not include the following entities:

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

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

1 regularly traded on an established
2 securities market, and

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

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

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

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

4 No person conducting a business as a sole proprietor who is less
5 than eighteen (18) years of age shall be required to obtain a
6 business license from any entity of state or local government and
7 the person shall not be subject to any fine or penalty as a result
8 of conducting such business for a period not in excess of ninety
9 (90) days during a calendar year.

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

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