

1 STATE OF OKLAHOMA

2 1st Session of the 55th Legislature (2015)

3 HOUSE BILL 1157

By: Montgomery

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5
6 AS INTRODUCED

7 An Act relating to revenue and taxation; amending 68
8 O.S. 2011, Section 2355, as last amended by Section
9 2, Chapter 195 O.S.L. 2014 (68 O.S. Supp. 2014,
10 Section 2355), which relates to tax rates imposed on
11 individuals and certain business entities; modifying
12 rate of income tax applicable to certain
13 corporations; providing for reduced income tax rate
14 upon income related to assets relocated to the state
15 from certain jurisdictions; providing exceptions for
16 income used for payment of certain salary or
17 compensation amounts; providing for codification; and
18 providing an effective date.

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

20 SECTION 1. AMENDATORY 68 O.S. 2011, Section 2355, as
21 amended by Section 2, Chapter 195, O.S.L. 2014 (68 O.S. Supp. 2014,
22 Section 2355), is amended to read as follows:

23 Section 2355. A. Individuals. For all taxable years beginning
24 after December 31, 1998, and before January 1, 2006, a tax is hereby
imposed upon the Oklahoma taxable income of every resident or
nonresident individual, which tax shall be computed at the option of
the taxpayer under one of the two following methods:

1. METHOD 1.

- 1 a. Single individuals and married individuals filing
2 separately not deducting federal income tax:
- 3 (1) 1/2% tax on first \$1,000.00 or part thereof,
4 (2) 1% tax on next \$1,500.00 or part thereof,
5 (3) 2% tax on next \$1,250.00 or part thereof,
6 (4) 3% tax on next \$1,150.00 or part thereof,
7 (5) 4% tax on next \$1,300.00 or part thereof,
8 (6) 5% tax on next \$1,500.00 or part thereof,
9 (7) 6% tax on next \$2,300.00 or part thereof, and
10 (8) (a) for taxable years beginning after December
11 31, 1998, and before January 1, 2002, 6.75%
12 tax on the remainder,
13 (b) for taxable years beginning on or after
14 January 1, 2002, and before January 1, 2004,
15 7% tax on the remainder, and
16 (c) for taxable years beginning on or after
17 January 1, 2004, 6.65% tax on the remainder.
- 18 b. Married individuals filing jointly and surviving
19 spouse to the extent and in the manner that a
20 surviving spouse is permitted to file a joint return
21 under the provisions of the Internal Revenue Code and
22 heads of households as defined in the Internal Revenue
23 Code not deducting federal income tax:
24 (1) 1/2% tax on first \$2,000.00 or part thereof,

- 1 (2) 1% tax on next \$3,000.00 or part thereof,
- 2 (3) 2% tax on next \$2,500.00 or part thereof,
- 3 (4) 3% tax on next \$2,300.00 or part thereof,
- 4 (5) 4% tax on next \$2,400.00 or part thereof,
- 5 (6) 5% tax on next \$2,800.00 or part thereof,
- 6 (7) 6% tax on next \$6,000.00 or part thereof, and
- 7 (8) (a) for taxable years beginning after December
- 8 31, 1998, and before January 1, 2002, 6.75%
- 9 tax on the remainder,
- 10 (b) for taxable years beginning on or after
- 11 January 1, 2002, and before January 1, 2004,
- 12 7% tax on the remainder, and
- 13 (c) for taxable years beginning on or after
- 14 January 1, 2004, 6.65% tax on the remainder.

15 2. METHOD 2.

16 a. Single individuals and married individuals filing
17 separately deducting federal income tax:

- 18 (1) 1/2% tax on first \$1,000.00 or part thereof,
- 19 (2) 1% tax on next \$1,500.00 or part thereof,
- 20 (3) 2% tax on next \$1,250.00 or part thereof,
- 21 (4) 3% tax on next \$1,150.00 or part thereof,
- 22 (5) 4% tax on next \$1,200.00 or part thereof,
- 23 (6) 5% tax on next \$1,400.00 or part thereof,
- 24 (7) 6% tax on next \$1,500.00 or part thereof,

- 1 (8) 7% tax on next \$1,500.00 or part thereof,
- 2 (9) 8% tax on next \$2,000.00 or part thereof,
- 3 (10) 9% tax on next \$3,500.00 or part thereof, and
- 4 (11) 10% tax on the remainder.

5 b. Married individuals filing jointly and surviving
6 spouse to the extent and in the manner that a
7 surviving spouse is permitted to file a joint return
8 under the provisions of the Internal Revenue Code and
9 heads of households as defined in the Internal Revenue
10 Code deducting federal income tax:

- 11 (1) 1/2% tax on the first \$2,000.00 or part thereof,
- 12 (2) 1% tax on the next \$3,000.00 or part thereof,
- 13 (3) 2% tax on the next \$2,500.00 or part thereof,
- 14 (4) 3% tax on the next \$1,400.00 or part thereof,
- 15 (5) 4% tax on the next \$1,500.00 or part thereof,
- 16 (6) 5% tax on the next \$1,600.00 or part thereof,
- 17 (7) 6% tax on the next \$1,250.00 or part thereof,
- 18 (8) 7% tax on the next \$1,750.00 or part thereof,
- 19 (9) 8% tax on the next \$3,000.00 or part thereof,
- 20 (10) 9% tax on the next \$6,000.00 or part thereof, and
- 21 (11) 10% tax on the remainder.

22 B. Individuals. For all taxable years beginning on or after
23 January 1, 2008, and ending any tax year which begins after December
24 31, 2015, for which the determination required pursuant to Sections

1 4 and 5 of this act is made by the State Board of Equalization, a
2 tax is hereby imposed upon the Oklahoma taxable income of every
3 resident or nonresident individual, which tax shall be computed as
4 follows:

5 1. Single individuals and married individuals filing
6 separately:

7 (a) 1/2% tax on first \$1,000.00 or part thereof,

8 (b) 1% tax on next \$1,500.00 or part thereof,

9 (c) 2% tax on next \$1,250.00 or part thereof,

10 (d) 3% tax on next \$1,150.00 or part thereof,

11 (e) 4% tax on next \$2,300.00 or part thereof,

12 (f) 5% tax on next \$1,500.00 or part thereof,

13 (g) 5.50% tax on the remainder for the 2008 tax year and
14 any subsequent tax year unless the rate prescribed by
15 subparagraph (h) of this paragraph is in effect, and

16 (h) 5.25% tax on the remainder for the 2009 and subsequent
17 tax years. The decrease in the top marginal
18 individual income tax rate otherwise authorized by
19 this subparagraph shall be contingent upon the
20 determination required to be made by the State Board
21 of Equalization pursuant to Section 2355.1A of this
22 title.

23 2. Married individuals filing jointly and surviving spouse to
24 the extent and in the manner that a surviving spouse is permitted to

1 file a joint return under the provisions of the Internal Revenue
2 Code and heads of households as defined in the Internal Revenue
3 Code:

- 4 (a) 1/2% tax on first \$2,000.00 or part thereof,
- 5 (b) 1% tax on next \$3,000.00 or part thereof,
- 6 (c) 2% tax on next \$2,500.00 or part thereof,
- 7 (d) 3% tax on next \$2,300.00 or part thereof,
- 8 (e) 4% tax on next \$2,400.00 or part thereof,
- 9 (f) 5% tax on next \$2,800.00 or part thereof,
- 10 (g) 5.50% tax on the remainder for the 2008 tax year and
11 any subsequent tax year unless the rate prescribed by
12 subparagraph (h) of this paragraph is in effect, and
- 13 (h) 5.25% tax on the remainder for the 2009 and subsequent
14 tax years. The decrease in the top marginal
15 individual income tax rate otherwise authorized by
16 this subparagraph shall be contingent upon the
17 determination required to be made by the State Board
18 of Equalization pursuant to Section 2355.1A of this
19 title.

20 C. Individuals. For all taxable years beginning on or after
21 January 1, 2016, and for which the determination required pursuant
22 to Sections 4 and 5 of this act is made by the State Board of
23 Equalization, a tax is hereby imposed upon the Oklahoma taxable
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1 income of every resident or nonresident individual, which tax shall
2 be computed as follows:

3 1. Single individuals and married individuals filing
4 separately:

5 (a) 1/2% tax on first \$1,000.00 or part thereof,

6 (b) 1% tax on next \$1,500.00 or part thereof,

7 (c) 2% tax on next \$1,250.00 or part thereof,

8 (d) 3% tax on next \$1,150.00 or part thereof,

9 (e) 4% tax on next \$2,300.00 or part thereof,

10 (f) 5% tax on the remainder if the State Board of
11 Equalization makes a determination pursuant to Section
12 4 of this act or four and eighty-five hundredths
13 (4.85%) tax on the remainder if the State Board of
14 Equalization makes a determination pursuant to Section
15 5 of this act.

16 2. Married individuals filing jointly and surviving spouse to
17 the extent and in the manner that a surviving spouse is permitted to
18 file a joint return under the provisions of the Internal Revenue
19 Code and heads of households as defined in the Internal Revenue
20 Code:

21 (a) 1/2% tax on first \$2,000.00 or part thereof,

22 (b) 1% tax on next \$3,000.00 or part thereof,

23 (c) 2% tax on next \$2,500.00 or part thereof,

24 (d) 3% tax on next \$2,300.00 or part thereof,

1 (e) 4% tax on next \$2,400.00 or part thereof,

2 (f) 5% tax on the remainder if the State Board of
3 Equalization makes a determination pursuant to Section
4 4 of this act or four and eighty-five hundredths
5 percent (4.85%) tax on the remainder if the State
6 Board of Equalization makes a determination pursuant
7 to Section 5 of this act.

8 No deduction for federal income taxes paid shall be allowed to
9 any taxpayer to arrive at taxable income.

10 D. Nonresident aliens. In lieu of the rates set forth in
11 subsection A above, there shall be imposed on nonresident aliens, as
12 defined in the Internal Revenue Code, a tax of eight percent (8%)
13 instead of thirty percent (30%) as used in the Internal Revenue
14 Code, with respect to the Oklahoma taxable income of such
15 nonresident aliens as determined under the provision of the Oklahoma
16 Income Tax Act.

17 Every payer of amounts covered by this subsection shall deduct
18 and withhold from such amounts paid each payee an amount equal to
19 eight percent (8%) thereof. Every payer required to deduct and
20 withhold taxes under this subsection shall for each quarterly period
21 on or before the last day of the month following the close of each
22 such quarterly period, pay over the amount so withheld as taxes to
23 the Tax Commission, and shall file a return with each such payment.
24 Such return shall be in such form as the Tax Commission shall

1 prescribe. Every payer required under this subsection to deduct and
2 withhold a tax from a payee shall, as to the total amounts paid to
3 each payee during the calendar year, furnish to such payee, on or
4 before January 31, of the succeeding year, a written statement
5 showing the name of the payer, the name of the payee and the payee's
6 social security account number, if any, the total amount paid
7 subject to taxation, and the total amount deducted and withheld as
8 tax and such other information as the Tax Commission may require.
9 Any payer who fails to withhold or pay to the Tax Commission any
10 sums herein required to be withheld or paid shall be personally and
11 individually liable therefor to the State of Oklahoma.

12 E. Corporations. For all taxable years beginning after
13 December 31, ~~1989~~ 2015, a tax is hereby imposed upon the Oklahoma
14 taxable income of every corporation doing business within this state
15 or deriving income from sources within this state in an amount equal
16 to six percent (6%) thereof unless the tax rate in effect pursuant
17 to the provisions of Section 2 of this act is applicable.

18 There shall be no additional Oklahoma income tax imposed on
19 accumulated taxable income or on undistributed personal holding
20 company income as those terms are defined in the Internal Revenue
21 Code.

22 F. Certain foreign corporations. In lieu of the tax imposed in
23 the first paragraph of subsection D of this section, for all taxable
24 years beginning after December 31, ~~1989~~, 2015, unless the tax rate

1 imposed pursuant to Section 2 of this act is in effect, there shall
2 be imposed on foreign corporations, as defined in the Internal
3 Revenue Code, a tax of six percent (6%) instead of thirty percent
4 (30%) as used in the Internal Revenue Code, where such income is
5 received from sources within Oklahoma, in accordance with the
6 provisions of the Internal Revenue Code and the Oklahoma Income Tax
7 Act.

8 Every payer of amounts covered by this subsection shall deduct
9 and withhold from such amounts paid each payee an amount equal to
10 six percent (6%) thereof unless the tax rate imposed pursuant to
11 Section 2 of this act is in effect. Every payer required to deduct
12 and withhold taxes under this subsection shall for each quarterly
13 period on or before the last day of the month following the close of
14 each such quarterly period, pay over the amount so withheld as taxes
15 to the Tax Commission, and shall file a return with each such
16 payment. Such return shall be in such form as the Tax Commission
17 shall prescribe. Every payer required under this subsection to
18 deduct and withhold a tax from a payee shall, as to the total
19 amounts paid to each payee during the calendar year, furnish to such
20 payee, on or before January 31, of the succeeding year, a written
21 statement showing the name of the payer, the name of the payee and
22 the payee's social security account number, if any, the total
23 amounts paid subject to taxation, the total amount deducted and
24 withheld as tax and such other information as the Tax Commission may

1 require. Any payer who fails to withhold or pay to the Tax
2 Commission any sums herein required to be withheld or paid shall be
3 personally and individually liable therefor to the State of
4 Oklahoma.

5 G. Fiduciaries. A tax is hereby imposed upon the Oklahoma
6 taxable income of every trust and estate at the same rates as are
7 provided in subsection B or C of this section for single
8 individuals. Fiduciaries are not allowed a deduction for any
9 federal income tax paid.

10 H. Tax rate tables. For all taxable years beginning after
11 December 31, 1991, in lieu of the tax imposed by subsection A, B or
12 C of this section, as applicable there is hereby imposed for each
13 taxable year on the taxable income of every individual, whose
14 taxable income for such taxable year does not exceed the ceiling
15 amount, a tax determined under tables, applicable to such taxable
16 year which shall be prescribed by the Tax Commission and which shall
17 be in such form as it determines appropriate. In the table so
18 prescribed, the amounts of the tax shall be computed on the basis of
19 the rates prescribed by subsection A, B or C of this section. For
20 purposes of this subsection, the term "ceiling amount" means, with
21 respect to any taxpayer, the amount determined by the Tax Commission
22 for the tax rate category in which such taxpayer falls.

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1 SECTION 2. NEW LAW A new section of law to be codified
2 in the Oklahoma Statutes as Section 2355.1-Z of Title 68, unless
3 there is created a duplication in numbering, reads as follows:

4 A. For taxable years beginning after December 31, 2015, and
5 ending not later than December 31, 2017, the rate of tax otherwise
6 imposed pursuant to Section 2355 of Title 68 of the Oklahoma
7 Statutes upon taxable income of corporations or foreign corporations
8 shall be one percent (1%) with respect to the income derived from or
9 upon any gain resulting from the sale of assets relocated to any
10 location within the State of Oklahoma if such capital asset was
11 located outside the boundaries of any state of the United States for
12 a period of at least one (1) year prior to the date of its
13 relocation to the State of Oklahoma.

14 B. The tax rate authorized pursuant to subsection A of this
15 section shall not be applicable with respect to the acquisition by a
16 business entity of its own previously issued equity securities,
17 previously issued debt obligations or with respect to income paid,
18 directly or indirectly, to members of the governing board of the
19 business entity, principal officers or senior staff of the business
20 entity.

21 SECTION 3. This act shall become effective January 1, 2016.

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23 55-1-5822 MAH 01/19/15
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