

1 STATE OF OKLAHOMA

2 1st Session of the 59th Legislature (2023)

3 COMMITTEE SUBSTITUTE
4 FOR ENGROSSED
5 HOUSE BILL 2020

By: Wolfley and Roberts of the
House

6 and

7 Montgomery and Pemberton of
8 the Senate

9
10 COMMITTEE SUBSTITUTE

11 [income tax - retirement exemption adjustment -
12 effective date]

13
14 BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

15 SECTION 1. AMENDATORY 68 O.S. 2021, Section 2358, as
16 last amended by Section 1, Chapter 377, O.S.L. 2022 (68 O.S. Supp.
17 2022, Section 2358), is amended to read as follows:

18 Section 2358. For all tax years beginning after December 31,
19 1981, taxable income and adjusted gross income shall be adjusted to
20 arrive at Oklahoma taxable income and Oklahoma adjusted gross income
21 as required by this section.

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

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

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

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

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

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

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

1 with "Oklahoma net operating loss" and "Oklahoma
2 taxable income".

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

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

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

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

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

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

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

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

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

18 d. In the case of a manufacturing or processing
19 enterprise the business of which in Oklahoma consists
20 solely of marketing its products by:

21 (1) sales having a situs without this state, shipped
22 directly to a point from without the state to a
23 purchaser within the state, commonly known as
24 interstate sales,

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

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

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

22 e. In the case of insurance companies, Oklahoma taxable
23 income shall be taxable income of the taxpayer for
24 federal tax purposes, as adjusted for the adjustments

1 provided pursuant to the provisions of paragraphs 1
2 and 2 of this subsection, apportioned as follows:

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

21 (2) if the principal source of premiums written by an
22 insurance company consists of premiums for
23 reinsurance accepted by it, the taxable income of
24 such company shall be apportioned to this state

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

1 premiums written by each such ceding company for
2 the taxable year.

3 5. The net income or loss remaining after the separate
4 allocation in paragraph 4 of this subsection, being that which is
5 derived from a unitary business enterprise, shall be apportioned to
6 this state on the basis of the arithmetical average of three factors
7 consisting of property, payroll, and sales or gross revenue
8 enumerated as subparagraphs a, b, and c of this paragraph. Net
9 income or loss as used in this paragraph includes that derived from
10 patent or copyright royalties, purchase discounts, and interest on
11 accounts receivable relating to or arising from a business activity,
12 the income from which is apportioned pursuant to this subsection,
13 including the sale or other disposition of such property and any
14 other property used in the unitary enterprise. Deductions used in
15 computing such net income or loss shall not include taxes based on
16 or measured by income. Provided, for corporations whose property
17 for purposes of the tax imposed by Section 2355 of this title has an
18 initial investment cost equaling or exceeding Two Hundred Million
19 Dollars (\$200,000,000.00) and such investment is made on or after
20 July 1, 1997, or for corporations which expand their property or
21 facilities in this state and such expansion has an investment cost
22 equaling or exceeding Two Hundred Million Dollars (\$200,000,000.00)
23 over a period not to exceed three (3) years, and such expansion is
24 commenced on or after January 1, 2000, the three factors shall be

1 apporportioned with property and payroll, each comprising twenty-five
2 percent (25%) of the apporportionment factor and sales comprising fifty
3 percent (50%) of the apporportionment factor. The apporportionment
4 factors shall be computed as follows:

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

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

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

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

15 b. The payroll factor is a fraction, the numerator of
16 which is the total compensation for services rendered
17 in the state during the tax period, and the
18 denominator of which is the total compensation for
19 services rendered everywhere during the tax period.
20 "Compensation", as used in this subsection means those
21 paid-for services to the extent related to the unitary
22 business but does not include officers' salaries,
23 wages, and other compensation.
24

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

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

17 c. The sales factor is a fraction, the numerator of which
18 is the total sales or gross revenue of the taxpayer in
19 this state during the tax period, and the denominator
20 of which is the total sales or gross revenue of the
21 taxpayer everywhere during the tax period. "Sales",
22 as used in this subsection does not include sales or
23 gross revenue which are separately allocated in
24 paragraph 4 of this subsection.

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

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

17 (3) In the case of an airline, truck, or bus
18 enterprise or freight car, tank car, refrigerator
19 car, or other railroad equipment enterprise, the
20 numerator of the fraction shall include a portion
21 of revenue from interstate transportation in the
22 proportion that interstate mileage traveled in
23 Oklahoma bears to total interstate mileage
24 traveled.

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

15 (5) In the case of a telephone or telegraph or other
16 communication enterprise, the numerator of the
17 fraction shall include that portion of the
18 interstate revenue as is allocated pursuant to
19 the accounting procedures prescribed by the
20 Federal Communications Commission; provided that
21 in respect to each corporation or business entity
22 required by the Federal Communications Commission
23 to keep its books and records in accordance with
24 a uniform system of accounts prescribed by such

1 Commission, the intrastate net income shall be
2 determined separately in the manner provided by
3 such uniform system of accounts and only the
4 interstate income shall be subject to allocation
5 pursuant to the provisions of this subsection.
6 Provided further, that the gross revenue factors
7 shall be those as are determined pursuant to the
8 accounting procedures prescribed by the Federal
9 Communications Commission.

10 In any case where the apportionment of the three factors
11 prescribed in this paragraph attributes to Oklahoma a portion of net
12 income of the enterprise out of all appropriate proportion to the
13 property owned and/or business transacted within this state, because
14 of the fact that one or more of the factors so prescribed are not
15 employed to any appreciable extent in furtherance of the enterprise;
16 or because one or more factors not so prescribed are employed to a
17 considerable extent in furtherance of the enterprise; or because of
18 other reasons, the Tax Commission is empowered to permit, after a
19 showing by a taxpayer that an excessive portion of net income has
20 been attributed to Oklahoma, or require, when in its judgment an
21 insufficient portion of net income has been attributed to Oklahoma,
22 the elimination, substitution, or use of additional factors, or
23 reduction or increase in the weight of such prescribed factors.
24 Provided, however, that any such variance from such prescribed

1 factors which has the effect of increasing the portion of net income
2 attributable to Oklahoma must not be inherently arbitrary, and
3 application of the recomputed final apportionment to the net income
4 of the enterprise must attribute to Oklahoma only a reasonable
5 portion thereof.

6 6. For calendar years 1997 and 1998, the owner of a new or
7 expanded agricultural commodity processing facility in this state
8 may exclude from Oklahoma taxable income, or in the case of an
9 individual, the Oklahoma adjusted gross income, fifteen percent
10 (15%) of the investment by the owner in the new or expanded
11 agricultural commodity processing facility. For calendar year 1999,
12 and all subsequent years, the percentage, not to exceed fifteen
13 percent (15%), available to the owner of a new or expanded
14 agricultural commodity processing facility in this state claiming
15 the exemption shall be adjusted annually so that the total estimated
16 reduction in tax liability does not exceed One Million Dollars
17 (\$1,000,000.00) annually. The Tax Commission shall promulgate rules
18 for determining the percentage of the investment which each eligible
19 taxpayer may exclude. The exclusion provided by this paragraph
20 shall be taken in the taxable year when the investment is made. In
21 the event the total reduction in tax liability authorized by this
22 paragraph exceeds One Million Dollars (\$1,000,000.00) in any
23 calendar year, the Tax Commission shall permit any excess over One
24 Million Dollars (\$1,000,000.00) and shall factor such excess into

1 the percentage for subsequent years. Any amount of the exemption
2 permitted to be excluded pursuant to the provisions of this
3 paragraph but not used in any year may be carried forward as an
4 exemption from income pursuant to the provisions of this paragraph
5 for a period not exceeding six (6) years following the year in which
6 the investment was originally made.

7 For purposes of this paragraph:

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

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

22 (1) the processing of agricultural commodities,
23 including receiving or storing agricultural
24

1 commodities, or the production of milk at a dairy
2 operation,

3 (2) transporting the agricultural commodities or
4 product before, during, or after the processing,
5 or

6 (3) packaging or otherwise preparing the product for
7 sale or shipment.

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

- 15 a. Sixty Thousand Dollars (\$60,000.00), or
16 b. the loss properly shown on Schedule F of the Internal
17 Revenue Service Form 1040 reduced by one-half (1/2) of
18 the income from all other sources other than reflected
19 on Schedule F.

20 8. In taxable years beginning after December 31, 1995, all
21 qualified wages equal to the federal income tax credit set forth in
22 26 U.S.C.A., Section 45A, shall be deducted from taxable income.
23 The deduction allowed pursuant to this paragraph shall only be
24 permitted for the tax years in which the federal tax credit pursuant

1 to 26 U.S.C.A., Section 45A, is allowed. For purposes of this
2 paragraph, "qualified wages" means those wages used to calculate the
3 federal credit pursuant to 26 U.S.C.A., Section 45A.

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

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

20 11. For taxable years beginning on or after January 1, 2019,
21 there shall be subtracted from Oklahoma taxable income or adjusted
22 gross income any item of income or gain, and there shall be added to
23 Oklahoma taxable income or adjusted gross income any item of loss or
24 deduction that in the absence of an election pursuant to the

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

18 B. 1. The taxable income of any corporation shall be further
19 adjusted to arrive at Oklahoma taxable income, except those
20 corporations electing treatment as provided in subchapter S of the
21 Internal Revenue Code, 26 U.S.C., Section 1361 et seq., and Section
22 2365 of this title, deductions pursuant to the provisions of the
23 Accelerated Cost Recovery System as defined and allowed in the
24 Economic Recovery Tax Act of 1981, Public Law 97-34, 26 U.S.C.,

1 Section 168, for depreciation of assets placed into service after
2 December 31, 1981, shall not be allowed in calculating Oklahoma
3 taxable income. Such corporations shall be allowed a deduction for
4 depreciation of assets placed into service after December 31, 1981,
5 in accordance with provisions of the Internal Revenue Code, 26
6 U.S.C., Section 1 et seq., in effect immediately prior to the
7 enactment of the Accelerated Cost Recovery System. The Oklahoma tax
8 basis for all such assets placed into service after December 31,
9 1981, calculated in this section shall be retained and utilized for
10 all Oklahoma income tax purposes through the final disposition of
11 such assets.

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

17 For assets placed in service and held by a corporation in which
18 accelerated cost recovery system was previously disallowed, an
19 adjustment to taxable income is required in the first taxable year
20 beginning after December 31, 1982, to reconcile the basis of such
21 assets to the basis allowed in the Internal Revenue Code. The
22 purpose of this adjustment is to equalize the basis and allowance
23 for depreciation accounts between that reported to the Internal
24 Revenue Service and that reported to Oklahoma.

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

7 C. 1. For taxable years beginning after December 31, 1987, the
8 taxable income of any corporation shall be further adjusted to
9 arrive at Oklahoma taxable income for transfers of technology to
10 qualified small businesses located in Oklahoma. Such transferor
11 corporation shall be allowed an exemption from taxable income of an
12 amount equal to the amount of royalty payment received as a result
13 of such transfer; provided, however, such amount shall not exceed
14 ten percent (10%) of the amount of gross proceeds received by such
15 transferor corporation as a result of the technology transfer. Such
16 exemption shall be allowed for a period not to exceed ten (10) years
17 from the date of receipt of the first royalty payment accruing from
18 such transfer. No exemption may be claimed for transfers of
19 technology to qualified small businesses made prior to January 1,
20 1988.

21 2. For purposes of this subsection:

22 a. "Qualified small business" means an entity, whether
23 organized as a corporation, partnership, or
24 proprietorship, organized for profit with its

1 principal place of business located within this state
2 and which meets the following criteria:

- 3 (1) ~~Capitalization~~ capitalization of not more than
4 Two Hundred Fifty Thousand Dollars (\$250,000.00),
5 (2) ~~Having~~ having at least fifty percent (50%) of its
6 employees and assets located in Oklahoma at the
7 time of the transfer, and
8 (3) ~~Not~~ not a subsidiary or affiliate of the
9 transferor corporation;

10 b. "Technology" means a proprietary process, formula,
11 pattern, device, or compilation of scientific or
12 technical information which is not in the public
13 domain;

14 c. "Transferor corporation" means a corporation which is
15 the exclusive and undisputed owner of the technology
16 at the time the transfer is made; and

17 d. "Gross proceeds" means the total amount of
18 consideration for the transfer of technology, whether
19 the consideration is in money or otherwise.

20 D. 1. For taxable years beginning after December 31, 2005, the
21 taxable income of any corporation, estate, or trust, shall be
22 further adjusted for qualifying gains receiving capital treatment.
23 Such corporations, estates, or trusts shall be allowed a deduction
24 from Oklahoma taxable income for the amount of qualifying gains

1 receiving capital treatment earned by the corporation, estate, or
2 trust during the taxable year and included in the federal taxable
3 income of such corporation, estate, or trust.

4 2. As used in this subsection:

5 a. "qualifying gains receiving capital treatment" means
6 the amount of net capital gains, as defined in Section
7 1222(11) of the Internal Revenue Code, included in the
8 federal income tax return of the corporation, estate,
9 or trust that result from:

10 (1) the sale of real property or tangible personal
11 property located within Oklahoma that has been
12 directly or indirectly owned by the corporation,
13 estate, or trust for a holding period of at least
14 five (5) years prior to the date of the
15 transaction from which such net capital gains
16 arise,

17 (2) the sale of stock or on the sale of an ownership
18 interest in an Oklahoma company, limited
19 liability company, or partnership where such
20 stock or ownership interest has been directly or
21 indirectly owned by the corporation, estate, or
22 trust for a holding period of at least three (3)
23 years prior to the date of the transaction from
24 which the net capital gains arise, or

1 (3) the sale of real property, tangible personal
2 property, or intangible personal property located
3 within Oklahoma as part of the sale of all or
4 substantially all of the assets of an Oklahoma
5 company, limited liability company, or
6 partnership where such property has been directly
7 or indirectly owned by such entity owned by the
8 owners of such entity, and used in or derived
9 from such entity for a period of at least three
10 (3) years prior to the date of the transaction
11 from which the net capital gains arise,

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

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

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

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

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

20 (2) With respect to sales of stock or ownership
21 interest in or sales of all or substantially all
22 of the assets of an Oklahoma company, limited
23 liability company, or partnership, the deduction
24 described in this subsection shall not apply

1 unless the pass-through entity that makes the
2 sale has held the stock or ownership interest or
3 the assets for not less than three (3)
4 uninterrupted years prior to the date of the
5 transaction that created the capital gain, and
6 each pass-through entity included in the chain of
7 ownership has been a member, partner or
8 shareholder of the pass-through entity in the
9 tier immediately below it for an uninterrupted
10 period of not less than three (3) years.

11 E. The Oklahoma adjusted gross income of any individual
12 taxpayer shall be further adjusted as follows to arrive at Oklahoma
13 taxable income:

14 1. a. In the case of individuals, there shall be added or
15 deducted, as the case may be, the difference necessary
16 to allow personal exemptions of One Thousand Dollars
17 (\$1,000.00) in lieu of the personal exemptions allowed
18 by the Internal Revenue Code.

19 b. There shall be allowed an additional exemption of One
20 Thousand Dollars (\$1,000.00) for each taxpayer or
21 spouse who is blind at the close of the tax year. For
22 purposes of this subparagraph, an individual is blind
23 only if the central visual acuity of the individual
24 does not exceed 20/200 in the better eye with

1 correcting lenses, or if the visual acuity of the
2 individual is greater than 20/200, but is accompanied
3 by a limitation in the fields of vision such that the
4 widest diameter of the visual field subtends an angle
5 no greater than twenty (20) degrees.

6 c. There shall be allowed an additional exemption of One
7 Thousand Dollars (\$1,000.00) for each taxpayer or
8 spouse who is sixty-five (65) years of age or older at
9 the close of the tax year based upon the filing status
10 and federal adjusted gross income of the taxpayer.
11 Taxpayers with the following filing status may claim
12 this exemption if the federal adjusted gross income
13 does not exceed:

14 (1) Twenty-five Thousand Dollars (\$25,000.00) if
15 married and filing jointly†, L

16 (2) Twelve Thousand Five Hundred Dollars (\$12,500.00)
17 if married and filing separately†, L

18 (3) Fifteen Thousand Dollars (\$15,000.00) if single†, L
19 and

20 (4) Nineteen Thousand Dollars (\$19,000.00) if a
21 qualifying head of household.

22 Provided, for taxable years beginning after December
23 31, 1999, amounts included in the calculation of
24 federal adjusted gross income pursuant to the

1 conversion of a traditional individual retirement
2 account to a Roth individual retirement account shall
3 be excluded from federal adjusted gross income for
4 purposes of the income thresholds provided in this
5 subparagraph.

6 2. a. For taxable years beginning on or before December 31,
7 2005, in the case of individuals who use the standard
8 deduction in determining taxable income, there shall
9 be added or deducted, as the case may be, the
10 difference necessary to allow a standard deduction in
11 lieu of the standard deduction allowed by the Internal
12 Revenue Code, in an amount equal to the larger of
13 fifteen percent (15%) of the Oklahoma adjusted gross
14 income or One Thousand Dollars (\$1,000.00), but not to
15 exceed Two Thousand Dollars (\$2,000.00), except that
16 in the case of a married individual filing a separate
17 return such deduction shall be the larger of fifteen
18 percent (15%) of such Oklahoma adjusted gross income
19 or Five Hundred Dollars (\$500.00), but not to exceed
20 the maximum amount of One Thousand Dollars
21 (\$1,000.00).

22 b. For taxable years beginning on or after January 1,
23 2006, and before January 1, 2007, in the case of
24 individuals who use the standard deduction in

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

- 6 (1) Three Thousand Dollars (\$3,000.00), if the filing
7 status is married filing joint, head of
8 household, or qualifying widow~~+~~ or
9 (2) Two Thousand Dollars (\$2,000.00), if the filing
10 status is single or married filing separate.

11 c. For the taxable year beginning on January 1, 2007, and
12 ending December 31, 2007, in the case of individuals
13 who use the standard deduction in determining taxable
14 income, there shall be added or deducted, as the case
15 may be, the difference necessary to allow a standard
16 deduction in lieu of the standard deduction allowed by
17 the Internal Revenue Code, in an amount equal to:

- 18 (1) Five Thousand Five Hundred Dollars (\$5,500.00),
19 if the filing status is married filing joint or
20 qualifying widow~~+~~
21 (2) Four Thousand One Hundred Twenty-five Dollars
22 (\$4,125.00) for a head of household~~+~~ or
23
24

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

4 d. For the taxable year beginning on January 1, 2008, and
5 ending December 31, 2008, in the case of individuals
6 who use the standard deduction in determining taxable
7 income, there shall be added or deducted, as the case
8 may be, the difference necessary to allow a standard
9 deduction in lieu of the standard deduction allowed by
10 the Internal Revenue Code, in an amount equal to:

11 (1) Six Thousand Five Hundred Dollars (\$6,500.00), if
12 the filing status is married filing joint or
13 qualifying widow, ~~or~~

14 (2) Four Thousand Eight Hundred Seventy-five Dollars
15 (\$4,875.00) for a head of household, or

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

19 e. For the taxable year beginning on January 1, 2009, and
20 ending December 31, 2009, in the case of individuals
21 who use the standard deduction in determining taxable
22 income, there shall be added or deducted, as the case
23 may be, the difference necessary to allow a standard
24

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

- 3 (1) Eight Thousand Five Hundred Dollars (\$8,500.00),
4 if the filing status is married filing joint or
5 qualifying widow, ~~or~~
6 (2) Six Thousand Three Hundred Seventy-five Dollars
7 (\$6,375.00) for a head of household, or
8 (3) Four Thousand Two Hundred Fifty Dollars
9 (\$4,250.00), if the filing status is single or
10 married filing separate.

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

- 14 f. For taxable years beginning on or after January 1,
15 2010, and ending on December 31, 2016, in the case of
16 individuals who use the standard deduction in
17 determining taxable income, there shall be added or
18 deducted, as the case may be, the difference necessary
19 to allow a standard deduction equal to the standard
20 deduction allowed by the Internal Revenue Code, based
21 upon the amount and filing status prescribed by such
22 Code for purposes of filing federal individual income
23 tax returns.

1 g. For taxable years beginning on or after January 1,
2 2017, in the case of individuals who use the standard
3 deduction in determining taxable income, there shall
4 be added or deducted, as the case may be, the
5 difference necessary to allow a standard deduction in
6 lieu of the standard deduction allowed by the Internal
7 Revenue Code, as follows:

8 (1) Six Thousand Three Hundred Fifty Dollars
9 (\$6,350.00) for single or married filing
10 separately,

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

14 (3) Nine Thousand Three Hundred Fifty Dollars
15 (\$9,350.00) for head of household.

16 3. a. In the case of resident and part-year resident
17 individuals having adjusted gross income from sources
18 both within and without the state, the itemized or
19 standard deductions and personal exemptions shall be
20 reduced to an amount which is the same portion of the
21 total thereof as Oklahoma adjusted gross income is of
22 adjusted gross income. To the extent itemized
23 deductions include allowable moving expense, proration
24 of moving expense shall not be required or permitted

1 but allowable moving expense shall be fully deductible
2 for those taxpayers moving within or into Oklahoma and
3 no part of moving expense shall be deductible for
4 those taxpayers moving without or out of Oklahoma.
5 All other itemized or standard deductions and personal
6 exemptions shall be subject to proration as provided
7 by law.

8 b. For taxable years beginning on or after January 1,
9 2018, the net amount of itemized deductions allowable
10 on an Oklahoma income tax return, subject to the
11 provisions of paragraph 24 of this subsection, shall
12 not exceed Seventeen Thousand Dollars (\$17,000.00).
13 For purposes of this subparagraph, charitable
14 contributions and medical expenses deductible for
15 federal income tax purposes shall be excluded from the
16 amount of Seventeen Thousand Dollars (\$17,000.00) as
17 specified by this subparagraph.

18 4. A resident individual with a physical disability
19 constituting a substantial handicap to employment may deduct from
20 Oklahoma adjusted gross income such expenditures to modify a motor
21 vehicle, home, or workplace as are necessary to compensate for his
22 or her handicap. A veteran certified by the Department of Veterans
23 Affairs of the federal government as having a service-connected
24 disability shall be conclusively presumed to be an individual with a

1 physical disability constituting a substantial handicap to
2 employment. The Tax Commission shall promulgate rules containing a
3 list of combinations of common disabilities and modifications which
4 may be presumed to qualify for this deduction. The Tax Commission
5 shall prescribe necessary requirements for verification.

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

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

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

22 (1) absence from the United States, which term
23 includes only the states and the District of
24 Columbia~~†~~

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

3 (3) confinement in a hospital within the United
4 States for treatment of wounds, injuries~~,~~ or
5 disease,

6 the time for filing a return and paying an income tax
7 shall be and is hereby extended without incurring
8 liability for interest or penalties, to the fifteenth
9 day of the third month following the month in which:

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

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

23 Provided, that the Tax Commission may, in its discretion, grant
24 any member of the Armed Forces of the United States an extension of

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

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

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

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

1 paragraph shall be prorated on the ratio of the
2 Oklahoma adjusted gross income to federal adjusted
3 gross income.

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

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

20 8. Retirement benefits not to exceed Five Thousand Five Hundred
21 Dollars (\$5,500.00) for the 2004 tax year, Seven Thousand Five
22 Hundred Dollars (\$7,500.00) for the 2005 tax year, ~~and~~ Ten Thousand
23 Dollars (\$10,000.00) for the 2006 tax year, and Twelve Thousand Five
24 Hundred Dollars (\$12,500.00) for the 2024 tax year and all

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

14 9. In taxable years beginning after December 31, 1984, Social
15 Security benefits received by an individual shall be exempt from
16 taxable income, to the extent such benefits are included in the
17 federal adjusted gross income pursuant to the provisions of Section
18 86 of the Internal Revenue Code, 26 U.S.C., Section 86.

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

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

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

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

1 13. a. In taxable years beginning after December 31, 2002,
2 nonrecurring adoption expenses paid by a resident
3 individual taxpayer in connection with:

4 (1) the adoption of a minor, or

5 (2) a proposed adoption of a minor which did not
6 result in a decreed adoption,

7 may be deducted from the Oklahoma adjusted gross
8 income.

9 b. The deductions for adoptions and proposed adoptions
10 authorized by this paragraph shall not exceed Twenty
11 Thousand Dollars (\$20,000.00) per calendar year.

12 c. The Tax Commission shall promulgate rules to implement
13 the provisions of this paragraph which shall contain a
14 specific list of nonrecurring adoption expenses which
15 may be presumed to qualify for the deduction. The Tax
16 Commission shall prescribe necessary requirements for
17 verification.

18 d. "Nonrecurring adoption expenses" means adoption fees,
19 court costs, medical expenses, attorney fees, and
20 expenses which are directly related to the legal
21 process of adoption of a child including, but not
22 limited to, costs relating to the adoption study,
23 health and psychological examinations, transportation,
24 and reasonable costs of lodging and food for the child

1 or adoptive parents which are incurred to complete the
2 adoption process and are not reimbursed by other
3 sources. The term "nonrecurring adoption expenses"
4 shall not include attorney fees incurred for the
5 purpose of litigating a contested adoption, from and
6 after the point of the initiation of the contest,
7 costs associated with physical remodeling, renovation
8 and alteration of the adoptive parents' home or
9 property, except for a special needs child as
10 authorized by the court.

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

1 less than the qualifying amount specified in this
2 paragraph, shall be exempt from taxable income.

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

5 (1) in taxable years beginning after December 31,
6 2004, and prior to January 1, 2007, the
7 qualifying amount shall be Thirty-seven Thousand
8 Five Hundred Dollars (\$37,500.00) or less if the
9 filing status is single, head of household, or
10 married filing separate, or Seventy-five Thousand
11 Dollars (\$75,000.00) or less if the filing status
12 is married filing jointly or qualifying widow,

13 (2) in the taxable year beginning January 1, 2007,
14 the qualifying amount shall be Fifty Thousand
15 Dollars (\$50,000.00) or less if the filing status
16 is single, head of household, or married filing
17 separate, or One Hundred Thousand Dollars
18 (\$100,000.00) or less if the filing status is
19 married filing jointly or qualifying widow,

20 (3) in the taxable year beginning January 1, 2008,
21 the qualifying amount shall be Sixty-two Thousand
22 Five Hundred Dollars (\$62,500.00) or less if the
23 filing status is single, head of household, or
24 married filing separate, or One Hundred Twenty-

1 five Thousand Dollars (\$125,000.00) or less if
2 the filing status is married filing jointly or
3 qualifying widow,

4 (4) in the taxable year beginning January 1, 2009,
5 the qualifying amount shall be One Hundred
6 Thousand Dollars (\$100,000.00) or less if the
7 filing status is single, head of household, or
8 married filing separate, or Two Hundred Thousand
9 Dollars (\$200,000.00) or less if the filing
10 status is married filing jointly or qualifying
11 widow, and

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

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

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

21 (2) an eligible deferred compensation plan that
22 satisfies the requirements of Section 457 of the
23 Internal Revenue Code, 26 U.S.C., Section 457,
24

- 1 (3) an individual retirement account, annuity or
2 trust, or simplified employee pension that
3 satisfies the requirements of Section 408 of the
4 Internal Revenue Code, 26 U.S.C., Section 408,
5 (4) an employee annuity subject to the provisions of
6 Section 403(a) or (b) of the Internal Revenue
7 Code, 26 U.S.C., Section 403(a) or (b),
8 (5) United States Retirement Bonds which satisfy the
9 requirements of Section 86 of the Internal
10 Revenue Code, 26 U.S.C., Section 86, or
11 (6) lump-sum distributions from a retirement plan
12 which satisfies the requirements of Section
13 402(e) of the Internal Revenue Code, 26 U.S.C.,
14 Section 402(e).

15 d. The amount of the exemption provided by this paragraph
16 shall be limited to Five Thousand Five Hundred Dollars
17 (\$5,500.00) for the 2004 tax year, Seven Thousand Five
18 Hundred Dollars (\$7,500.00) for the 2005 tax year ~~and,~~
19 Ten Thousand Dollars (\$10,000.00) for the tax year
20 2006, and Twelve Thousand Five Hundred Dollars
21 (\$12,500.00) for the 2024 tax year and for all
22 subsequent tax years. Any individual who claims the
23 exemption provided for in paragraph 8 of this
24 subsection shall not be permitted to claim a combined

1 total exemption pursuant to this paragraph and
2 paragraph 8 of this subsection in an amount exceeding
3 Five Thousand Five Hundred Dollars (\$5,500.00) for the
4 2004 tax year, Seven Thousand Five Hundred Dollars
5 (\$7,500.00) for the 2005 tax year ~~and~~, Ten Thousand
6 Dollars (\$10,000.00) for the 2006 tax year, and Twelve
7 Thousand Five Hundred Dollars (\$12,500.00) for the
8 2024 tax year and all subsequent tax years.

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

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

22 17. a. In taxable years beginning after December 31, 2001,
23 and before January 1, 2005, there shall be allowed a
24 deduction in the amount of contributions to accounts

1 established pursuant to the Oklahoma College Savings
2 Plan Act. The deduction shall equal the amount of
3 contributions to accounts, but in no event shall the
4 deduction for each contributor exceed Two Thousand
5 Five Hundred Dollars (\$2,500.00) each taxable year for
6 each account.

7 b. In taxable years beginning after December 31, 2004,
8 each taxpayer shall be allowed a deduction for
9 contributions to accounts established pursuant to the
10 Oklahoma College Savings Plan Act. The maximum annual
11 deduction shall equal the amount of contributions to
12 all such accounts plus any contributions to such
13 accounts by the taxpayer for prior taxable years after
14 December 31, 2004, which were not deducted, but in no
15 event shall the deduction for each tax year exceed Ten
16 Thousand Dollars (\$10,000.00) for each individual
17 taxpayer or Twenty Thousand Dollars (\$20,000.00) for
18 taxpayers filing a joint return. Any amount of a
19 contribution that is not deducted by the taxpayer in
20 the year for which the contribution is made may be
21 carried forward as a deduction from income for the
22 succeeding five (5) years. For taxable years
23 beginning after December 31, 2005, deductions may be
24 taken for contributions and rollovers made during a

1 taxable year and up to April 15 of the succeeding
2 year, or the due date of a taxpayer's state income tax
3 return, excluding extensions, whichever is later.

4 Provided, a deduction for the same contribution may
5 not be taken for two (2) different taxable years.

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

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

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

1 d. If a taxpayer elects to take a rollover on a
2 contribution for which a deduction has been taken
3 pursuant to subparagraph b of this paragraph within
4 one (1) year of the date of contribution, the amount
5 of such rollover shall be included in the adjusted
6 gross income of the taxpayer in the taxable year of
7 the rollover.

8 e. If a taxpayer makes a nonqualified withdrawal of
9 contributions for which a deduction was taken pursuant
10 to subparagraph b of this paragraph, such nonqualified
11 withdrawal and any earnings thereon shall be included
12 in the adjusted gross income of the taxpayer in the
13 taxable year of the nonqualified withdrawal.

14 f. As used in this paragraph:

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

18 (a) a qualified withdrawal,

19 (b) a withdrawal made as a result of the death
20 or disability of the designated beneficiary
21 of an account,

22 (c) a withdrawal that is made on the account of
23 a scholarship or the allowance or payment
24 described in Section 135(d)(1)(B) or (C) or

1 by the Internal Revenue Code, received by
2 the designated beneficiary to the extent the
3 amount of the refund does not exceed the
4 amount of the scholarship, allowance, or
5 payment, or

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

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

13 18. For tax years 2006 through 2021, retirement benefits
14 received by an individual from any component of the Armed Forces of
15 the United States in an amount not to exceed the greater of seventy-
16 five percent (75%) of such benefits or Ten Thousand Dollars
17 (\$10,000.00) shall be exempt from taxable income but in no case less
18 than the amount of the exemption provided by paragraph 14 of this
19 subsection. For tax year 2022 and subsequent tax years, retirement
20 benefits received by an individual from any component of the Armed
21 Forces of the United States shall be exempt from taxable income.

22 19. For taxable years beginning after December 31, 2006,
23 retirement benefits received by federal civil service retirees,
24 including survivor annuities, paid in lieu of Social Security

1 benefits shall be exempt from taxable income to the extent such
2 benefits are included in the federal adjusted gross income pursuant
3 to the provisions of Section 86 of the Internal Revenue Code, 26
4 U.S.C., Section 86, according to the following schedule:

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

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

1 deduction that is claimed under this paragraph may be
2 claimed in the taxable year in which the human organ
3 transplantation occurs.

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

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

14 21. For taxable years beginning after December 31, 2009, there
15 shall be exempt from taxable income any amount received by the
16 beneficiary of the death benefit for an emergency medical technician
17 or a registered emergency medical responder provided by Section 1-
18 2505.1 of Title 63 of the Oklahoma Statutes.

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

23 23. For taxable years beginning after December 31, 2008, there
24 shall be exempt from taxable income any payment in an amount less

1 than Six Hundred Dollars (\$600.00) received by a person as an award
2 for participation in a competitive livestock show event. For
3 purposes of this paragraph, the payment shall be treated as a
4 scholarship amount paid by the entity sponsoring the event and the
5 sponsoring entity shall cause the payment to be categorized as a
6 scholarship in its books and records.

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

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

1 contributions made during the tax year and through April 15 of the
2 succeeding tax year, or through the due date of a taxpayer's state
3 income tax return excluding extensions, whichever is later.

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

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

11 2. As used in this subsection:

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

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

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

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

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

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

1 included in the taxpayer's holding period for the
2 asset pursuant to the Internal Revenue Code,

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

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

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

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

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

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

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

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

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

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

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

- 9 (1) treated as an association taxable as a
10 corporation under the Internal Revenue Code, and
11 (2) not exempt from federal income tax pursuant to
12 the provisions of Section 501(a) of the Internal
13 Revenue Code.

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

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

- 22 (1) any real estate investment trust as defined in
23 paragraph a of this subsection other than a
24 "captive real estate investment trust", ~~or~~

1 (2) any qualified real estate investment trust
2 subsidiary under Section 856(i) of the Internal
3 Revenue Code, other than a qualified REIT
4 subsidiary of a ~~"captive~~ captive real estate
5 investment ~~trust", or trust,~~

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

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

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

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

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

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

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

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

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

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

22 SECTION 2. This act shall become effective November 1, 2023.
23

24 59-1-2090 QD 4/10/2023 5:18:00 PM