

1 STATE OF OKLAHOMA

2 2nd Session of the 55th Legislature (2016)

3 COMMITTEE SUBSTITUTE

4 FOR

5 SENATE BILL 1073

By: Mazzei of the Senate

and

Nollan of the House

6
7
8
9 COMMITTEE SUBSTITUTE

10 [income tax - tax rates - revenue failure
11 declaration - adjustment of taxable income -
12 codification -
13 emergency]

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

15 SECTION 1. AMENDATORY 68 O.S. 2011, Section 2355, as
16 last amended by Section 2, Chapter 195, O.S.L. 2014 (68 O.S. Supp.
17 2015, Section 2355), is amended to read as follows:

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

23 1. METHOD 1.
24

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~~ Sections 2355.1F and 2355.1G of this title and
23 Section 3 of this act is made by the State Board of Equalization, a
24 tax is hereby imposed upon the Oklahoma taxable income of every

1 resident or nonresident individual, which tax shall be computed as
2 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 Section 3 of this act or four and eighty-five
13 hundredths (4.85%) tax on the remainder if the State
14 Board of Equalization makes a determination pursuant
15 to ~~Section 5 of this act~~ Section 2355.1G of this
16 title.

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

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

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

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

- 1 (d) 3% tax on next \$2,300.00 or part thereof,
2 (e) 4% tax on next \$2,400.00 or part thereof,
3 (f) 5% tax on the remainder if the State Board of
4 Equalization makes a determination pursuant to ~~Section~~
5 Section 3 of this act or four and eighty-five
6 hundredths percent (4.85%) tax on the remainder if the
7 State Board of Equalization makes a determination
8 pursuant to ~~Section 5 of this act~~ Section 2355.1G of
9 this title.

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

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

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

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

14 E. Corporations. For all taxable years beginning after
15 December 31, 1989, a tax is hereby imposed upon the Oklahoma taxable
16 income of every corporation doing business within this state or
17 deriving income from sources within this state in an amount equal to
18 six percent (6%) thereof.

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

23 F. Certain foreign corporations. In lieu of the tax imposed in
24 the first paragraph of subsection D of this section, for all taxable

1 years beginning after December 31, 1989, there shall be imposed on
2 foreign corporations, as defined in the Internal Revenue Code, a tax
3 of six percent (6%) instead of thirty percent (30%) as used in the
4 Internal Revenue Code, where such income is received from sources
5 within Oklahoma, in accordance with the provisions of the Internal
6 Revenue Code and the Oklahoma Income Tax Act.

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

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1 herein required to be withheld or paid shall be personally and
2 individually liable therefor to the State of Oklahoma.

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

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

21 SECTION 2. AMENDATORY Section 4, Chapter 195, O.S.L.
22 2014 (68 O.S. Supp. 2015, Section 2355.1F), is amended to read as
23 follows:
24

1 Section 2355.1F. A. The provisions of this section shall be
2 applicable with respect to the implementation of the five percent
3 (5%) top marginal rate of individual income tax otherwise authorized
4 pursuant to the provisions of subparagraph (f) of paragraphs 1 and 2
5 of subsection C of Section 2355 of Title 68 of the Oklahoma
6 Statutes, which shall be contingent upon a determination by the
7 State Board of Equalization made by a comparison described by this
8 section which shall be conducted until the income tax rate of five
9 percent (5%) is effective.

10 B. In addition to any other duties prescribed by law, at the
11 meeting required by paragraph 1 of Section 23 of Article X of the
12 Oklahoma Constitution to be held in December 2014, and for any
13 subsequent December meeting of the State Board of Equalization, if
14 the five percent (5%) top marginal income tax rate prescribed by
15 subparagraph (f) of paragraphs 1 and 2 of subsection C of Section
16 2355 of Title 68 of the Oklahoma Statutes has not become effective,
17 the State Board of Equalization shall compare:

18 1. The total General Revenue Fund proposed estimate for fiscal
19 year 2014 which was certified at the State Board of Equalization
20 meeting held in February 2013; and

21 2. The total General Revenue Fund proposed estimate for fiscal
22 year 2016, or if the five percent (5%) top marginal income tax rate
23 prescribed by subparagraph (f) of paragraphs 1 and 2 of subsection C
24 of Section 2355 of Title 68 of the Oklahoma Statutes has not become

1 effective, the fiscal year for which the Board is certifying a
2 proposed estimate.

3 If the amount determined pursuant to the provisions of paragraph
4 2 of this subsection is equal to or greater than the amount
5 determined pursuant to the provisions of paragraph 1 of this
6 subsection, the Board shall make a finding that the revenue
7 computations required by this section will authorize the
8 implementation of the five percent (5%) top marginal income tax rate
9 prescribed by subparagraph (f) of paragraphs 1 and 2 of subsection C
10 of Section 2355 of Title 68 of the Oklahoma Statutes beginning on
11 the second January 1 following the December meeting. Provided, a
12 finding by the Board to authorize the implementation of the five
13 percent (5%) top marginal income tax rate shall be void and the rate
14 unenforceable if such rate would otherwise become effective during a
15 fiscal year when a revenue failure is subsequently declared pursuant
16 to paragraph 7 of Section 23 of Article X of the Oklahoma
17 Constitution.

18 If the amount determined pursuant to the provisions of paragraph
19 2 of this subsection is less than the amount determined pursuant to
20 the provisions of paragraph 1 of this subsection, the Board shall
21 make a finding that the revenue computations required by this
22 section will not authorize the implementation of the five percent
23 (5%) top marginal income tax rate prescribed by subparagraph (f) of
24 paragraphs 1 and 2 of subsection C of Section 2355 of Title 68 of

1 the Oklahoma Statutes beginning on the second January 1 following
2 the December meeting.

3 C. If the Board makes a finding that the revenue computations
4 required by this section do not authorize the implementation of the
5 5% top marginal income tax rate prescribed by of subparagraph (f) of
6 paragraphs 1 and 2 of subsection C of Section 2355 of Title 68 of
7 the Oklahoma Statutes beginning with calendar year 2016 pursuant to
8 the provisions of subsection B of this section, such procedures
9 shall be repeated by the State Board of Equalization for each
10 successive two-year comparison until the rate is implemented.

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

14 A. Notwithstanding the provisions of Section 2355.1F of Title
15 68 of the Oklahoma Statutes, the provisions of this section shall be
16 applicable with respect to the implementation of the five percent
17 (5%) top marginal rate of individual income tax otherwise authorized
18 pursuant to the provisions of subparagraph (f) of paragraphs 1 and 2
19 of subsection C of Section 2355 of Title 68 of the Oklahoma
20 Statutes, which shall be contingent upon a determination by the
21 State Board of Equalization made by a comparison of the revenue
22 computations described by this section which shall be conducted
23 until the income tax rate of five percent (5%) is effective.

24

1 B. In addition to any other duties prescribed by law, at the
2 meeting required by paragraph 1 of Section 23 of Article X of the
3 Oklahoma Constitution to be held in December of each year until the
4 five percent (5%) top marginal income tax rate prescribed by
5 subparagraph (f) of paragraphs 1 and 2 of subsection C of Section
6 2355 of Title 68 of the Oklahoma Statutes becomes effective, the
7 State Board of Equalization shall determine:

8 1. The amount of estimated revenue growth in the General
9 Revenue Fund of the State Treasury for the fiscal year beginning on
10 the next ensuing July 1; and

11 2. The amount by which the income tax revenue for the tax year
12 which will begin on the second January 1 following such December
13 meeting is estimated to be reduced by a twenty-five hundredths
14 percent (0.25%) decrease in the top marginal income tax rate plus an
15 amount equal to five percent (5%) of the revised General Revenue
16 Fund estimate for the then current fiscal year in order for a top
17 marginal income tax rate of five percent (5%) to be effective.

18 If the amount determined pursuant to the provisions of paragraph
19 1 of this subsection is equal to or greater than the amount
20 determined pursuant to the provisions of paragraph 2 of this
21 subsection, the Board shall make a preliminary finding that the
22 Board anticipates that a finding will be made at the February
23 meeting immediately subsequent to the December meeting that the
24 revenue computations required by this section will authorize the

1 implementation of the five percent (5%) top marginal rate pursuant
2 to subparagraph (f) of paragraphs 1 and 2 of subsection C of Section
3 2355 of Title 68 of the Oklahoma Statutes beginning on the second
4 January 1 following the December meeting.

5 If the amount determined pursuant to the provisions of paragraph
6 1 of this subsection is less than the amount determined pursuant to
7 the provisions of paragraph 2 of this subsection, the Board shall
8 make a preliminary finding that the Board anticipates that a finding
9 will be made at the February meeting immediately subsequent to the
10 December meeting that the revenue computations required by this
11 section will not authorize the implementation of the five percent
12 (5%) top marginal income tax rate subparagraph (f) of paragraphs 1
13 and 2 of subsection C of Section 2355 of Title 68 of the Oklahoma
14 Statutes beginning on the second January 1 following the December
15 meeting.

16 C. In addition to any other duties prescribed by law, at the
17 meeting required by paragraph 3 of Section 23 of Article X of the
18 Oklahoma Constitution to be held in February each year until the
19 five percent (5%) top marginal income tax rate prescribed by
20 subparagraph (f) of paragraphs 1 and 2 of subsection C of Section
21 2355 of Title 68 of the Oklahoma Statutes becomes effective, the
22 State Board of Equalization shall determine:
23
24

1 1. The amount of estimated revenue growth in the General
2 Revenue Fund of the State Treasury for the fiscal year beginning on
3 the next ensuing July 1; and

4 2. The amount by which the income tax revenue for the tax year
5 which will begin on the January 1 immediately following the February
6 meeting is estimated to be reduced by a twenty-five hundredths
7 percent (.25%) decrease in the top marginal income tax rate plus an
8 amount equal to five percent (5%) of the revised General Revenue
9 Fund estimate for the then current fiscal year in order for a top
10 marginal income tax rate of five percent (5%) to be effective.

11 If the amount determined pursuant to the provisions of paragraph
12 1 of this subsection is equal to or greater than the amount
13 determined pursuant to the provisions of paragraph 2 of this
14 subsection, the Board shall make a finding that the revenue
15 computations required by this section will authorize the
16 implementation of the five percent (5%) top marginal income tax rate
17 pursuant to subparagraph (f) of paragraphs 1 and 2 of subsection C
18 of Section 2355 of Title 68 of the Oklahoma Statutes beginning on
19 the January 1 immediately following the February meeting.

20 If the amount determined pursuant to the provisions of paragraph
21 1 of this subsection is less than the amount determined pursuant to
22 the provisions of paragraph 2 of this subsection, the Board shall
23 make a finding that the revenue computations required by this
24 section do not authorize the implementation of the five percent (5%)

1 top marginal income tax rate pursuant to subparagraph (f) of
2 paragraphs 1 and 2 of subsection C of Section 2355 of Title 68 of
3 the Oklahoma Statutes beginning with the January 1 immediately
4 following the February meeting.

5 D. If the Board makes a finding that the revenue computations
6 required by this section do not authorize the implementation of the
7 five percent (5%) top marginal income tax rate pursuant to
8 subparagraph (f) of paragraphs 1 and 2 of subsection C of Section
9 2355 of Title 68 of the Oklahoma Statutes pursuant to the provisions
10 of subsection C of this section, the procedures prescribed by
11 subsection A, subsection B and subsection C of this section shall be
12 repeated by the State Board of Equalization for each successive two-
13 year comparison. Once the five percent (5%) top marginal income tax
14 rate otherwise authorized pursuant to subparagraph (f) of paragraphs
15 1 and 2 of subsection C of Section 2355 of Title 68 of the Oklahoma
16 Statutes has been implemented, such income tax rate shall be in
17 effect for all subsequent tax years.

18 SECTION 4. AMENDATORY Section 5, Chapter 195, O.S.L.
19 2014 (68 O.S. Supp. 2015, Section 2355.1G), is amended to read as
20 follows:

21 Section 2355.1G. A. The provisions of this section shall be
22 applicable with respect to the implementation of the four and
23 eighty-five hundredths percent (4.85%) top marginal rate of
24 individual income tax otherwise authorized pursuant to the

1 provisions of subparagraph (f) of paragraphs 1 and 2 of subsection C
2 of Section 2355 of Title 68 of the Oklahoma Statutes, which shall be
3 contingent upon a determination by the State Board of Equalization
4 made by a comparison of the revenue computations described by this
5 section which shall be conducted until the income tax rate of four
6 and eighty-five hundredths percent (4.85%) is effective.

7 B. In addition to any other duties prescribed by law, at the
8 meeting required by paragraph 1 of Section 23 of Article X of the
9 Oklahoma Constitution to be held in December of the year in which
10 the five percent (5%) top marginal income tax rate prescribed by
11 subparagraph (f) of paragraphs 1 and 2 of subsection C of Section
12 2355 of Title 68 of the Oklahoma Statutes becomes effective, and for
13 any subsequent December meeting of the State Board of Equalization,
14 if the four and eighty-five hundredths percent (4.85%) top marginal
15 income tax rate prescribed by subparagraph (f) of paragraphs 1 and 2
16 of subsection C of Section 2355 of Title 68 of the Oklahoma Statutes
17 has not become effective, the State Board of Equalization shall
18 determine:

19 1. The amount of estimated revenue growth in the General
20 Revenue Fund of the State Treasury for the fiscal year beginning on
21 the next ensuing July 1; and

22 2. The amount by which the income tax revenue for the tax year
23 which will begin on the second January 1 following such December
24 meeting is estimated to be reduced by a fifteen hundredths percent

1 (0.15%) decrease in the top marginal income tax rate, plus an amount
2 equal to three percent (3%) of the revised General Revenue Fund
3 estimate for the then current fiscal year in order for a top
4 marginal income tax rate of four and eighty-five hundredths percent
5 (4.85%) to be effective.

6 If the amount determined pursuant to the provisions of paragraph
7 1 of this subsection is equal to or greater than the amount
8 determined pursuant to the provisions of paragraph 2 of this
9 subsection, the Board shall make a preliminary finding that the
10 Board anticipates that a finding will be made at the February
11 meeting immediately subsequent to the December meeting that the
12 revenue computations required by this section will authorize the
13 implementation of the four and eighty-five hundredths percent
14 (4.85%) top marginal rate pursuant to subparagraph (f) of paragraphs
15 1 and 2 of subsection C of Section 2355 of Title 68 of the Oklahoma
16 Statutes beginning on the second January 1 following the December
17 meeting.

18 If the amount determined pursuant to the provisions of paragraph
19 1 of this subsection is less than the amount determined pursuant to
20 the provisions of paragraph 2 of this subsection, the Board shall
21 make a preliminary finding that the Board anticipates that a finding
22 will be made at the February meeting immediately subsequent to the
23 December meeting that the revenue computations required by this
24 section will not authorize the implementation of the four and

1 eighty-five hundredths percent (4.85%) top marginal income tax rate
2 subparagraph (f) of paragraphs 1 and 2 of subsection C of Section
3 2355 of Title 68 of the Oklahoma Statutes beginning on the second
4 January 1 following the December meeting.

5 C. In addition to any other duties prescribed by law, at the
6 meeting required by paragraph 3 of Section 23 of Article X of the
7 Oklahoma Constitution to be held in February following the year in
8 which the five percent (5%) top marginal income tax rate prescribed
9 by subparagraph (f) of paragraphs 1 and 2 of subsection C of Section
10 2355 of Title 68 of the Oklahoma Statutes becomes effective, and for
11 any subsequent February meeting of the State Board of Equalization,
12 if the four and eighty-five hundredths percent (4.85%) top marginal
13 income tax rate prescribed by subparagraph (f) of paragraphs 1 and 2
14 of subsection C of Section 2355 of Title 68 of the Oklahoma Statutes
15 has not become effective, the State Board of Equalization shall
16 determine:

17 1. The amount of estimated revenue growth in the General
18 Revenue Fund of the State Treasury for the fiscal year beginning on
19 the next ensuing July 1; and

20 2. The amount by which the income tax revenue for the tax year
21 which will begin on the January 1 immediately following the February
22 meeting is estimated to be reduced by a fifteen hundredths percent
23 (.15%) decrease in the top marginal income tax rate, plus an amount
24 equal to three percent (3%) of the revised General Revenue Fund

1 estimate for the then current fiscal year in order for a top
2 marginal income tax rate of four and eighty-five hundredths percent
3 (4.85%) to be effective.

4 If the amount determined pursuant to the provisions of paragraph
5 1 of this subsection is equal to or greater than the amount
6 determined pursuant to the provisions of paragraph 2 of this
7 subsection, the Board shall make a finding that the revenue
8 computations required by this section will authorize the
9 implementation of the four and eighty-five hundredths percent
10 (4.85%) top marginal income tax rate pursuant to subparagraph (f) of
11 paragraphs 1 and 2 of subsection C of Section 2355 of Title 68 of
12 the Oklahoma Statutes beginning on the January 1 immediately
13 following the February meeting.

14 If the amount determined pursuant to the provisions of paragraph
15 1 of this subsection is less than the amount determined pursuant to
16 the provisions of paragraph 2 of this subsection, the Board shall
17 make a finding that the revenue computations required by this
18 section do not authorize the implementation of the four and eighty-
19 five hundredths percent (4.85%) top marginal income tax rate
20 pursuant to subparagraph (f) of paragraphs 1 and 2 of subsection C
21 of Section 2355 of Title 68 of the Oklahoma Statutes beginning with
22 the January 1 immediately following the February meeting.

23 D. If the Board makes a finding that the revenue computations
24 required by this section do not authorize the implementation of the

1 four and eighty-five hundredths percent (4.85%) top marginal income
2 tax rate pursuant to subparagraph (f) of paragraphs 1 and 2 of
3 subsection C of Section 2355 of Title 68 of the Oklahoma Statutes
4 beginning with calendar year 2018 pursuant to the provisions of
5 subsection C of this section, the procedures prescribed by
6 subsection A, subsection B, and subsection C of this section shall
7 be repeated by the State Board of Equalization for each successive
8 two-year comparison. Once the four and eighty-five hundredths
9 percent (4.85%) top marginal income tax rate otherwise authorized
10 pursuant to subparagraph (f) of paragraphs 1 and 2 of subsection C
11 of Section 2355 of Title 68 of the Oklahoma Statutes has been
12 implemented, such income tax rate shall be in effect for all
13 subsequent tax years.

14 SECTION 5. AMENDATORY 68 O.S. 2011, Section 2358, as
15 last amended by Section 1, Chapter 138, O.S.L. 2014 (68 O.S. Supp.
16 2015, Section 2358), is amended to read as follows:

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

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

24

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;

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 of 1986, as amended,
13 shall be allocated to this state in the ratio of
14 the original cost of such partnership's tangible
15 property in this state to the original cost of
16 such partnership's tangible property everywhere,
17 as determined at the time of the sale; if more
18 than fifty percent (50%) of the value of the
19 partnership's assets consists of intangible
20 assets, capital or ordinary gains or losses from
21 the sale of an ownership interest in the
22 partnership shall be allocated to this state in
23 accordance with the sales factor of the
24 partnership for its first full tax period

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

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

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

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

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

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

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

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

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

24

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

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

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

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

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

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

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

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

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

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

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

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

1 business but does not include officers' salaries,
2 wages and other compensation.

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

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

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

1 gross revenue which are separately allocated in
2 paragraph 4 of this subsection.

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

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

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

1 Oklahoma bears to total interstate mileage
2 traveled.

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

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

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

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

1 reduction or increase in the weight of such prescribed factors.
2 Provided, however, that any such variance from such prescribed
3 factors which has the effect of increasing the portion of net income
4 attributable to Oklahoma must not be inherently arbitrary, and
5 application of the recomputed final apportionment to the net income
6 of the enterprise must attribute to Oklahoma only a reasonable
7 portion thereof.

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

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

9 For purposes of this paragraph:

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

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

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

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 of 1986, as amended by Section 1231 of
19 the American Recovery and Reinvestment Act of 2009 (P.L. No. 111-5).

20 B. 1. The taxable income of any corporation shall be further
21 adjusted to arrive at Oklahoma taxable income, except those
22 corporations electing treatment as provided in subchapter S of the
23 Internal Revenue Code, 26 U.S.C., Section 1361 et seq., and Section
24 2365 of this title, deductions pursuant to the provisions of the

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

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

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

1 for depreciation accounts between that reported to the Internal
2 Revenue Service and that reported to Oklahoma.

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

9 C. 1. For taxable years beginning after December 31, 1987, the
10 taxable income of any corporation shall be further adjusted to
11 arrive at Oklahoma taxable income for transfers of technology to
12 qualified small businesses located in Oklahoma. Such transferor
13 corporation shall be allowed an exemption from taxable income of an
14 amount equal to the amount of royalty payment received as a result
15 of such transfer; provided, however, such amount shall not exceed
16 ten percent (10%) of the amount of gross proceeds received by such
17 transferor corporation as a result of the technology transfer. Such
18 exemption shall be allowed for a period not to exceed ten (10) years
19 from the date of receipt of the first royalty payment accruing from
20 such transfer. No exemption may be claimed for transfers of
21 technology to qualified small businesses made prior to January 1,
22 1988.

23 2. For purposes of this subsection:
24

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

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

8 (2) Having at least fifty percent (50%) of its
9 employees and assets located in Oklahoma at the
10 time of the transfer, and

11 (3) Not a subsidiary or affiliate of the transferor
12 corporation;

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

17 c. "Transferor corporation" means a corporation which is
18 the exclusive and undisputed owner of the technology
19 at the time the transfer is made; and

20 d. "Gross proceeds" means the total amount of
21 consideration for the transfer of technology, whether
22 the consideration is in money or otherwise.

23 D. 1. For taxable years beginning after December 31, 2005, the
24 taxable income of any corporation, estate or trust, shall be further

1 adjusted for qualifying gains receiving capital treatment. Such
2 corporations, estates or trusts shall be allowed a deduction from
3 Oklahoma taxable income for the amount of qualifying gains receiving
4 capital treatment earned by the corporation, estate or trust during
5 the taxable year and included in the federal taxable income of such
6 corporation, estate or trust.

7 2. As used in this subsection:

8 a. "qualifying gains receiving capital treatment" means
9 the amount of net capital gains, as defined in Section
10 1222(11) of the Internal Revenue Code, included in the
11 federal income tax return of the corporation, estate
12 or trust that result from:

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

20 (2) the sale of stock or on the sale of an ownership
21 interest in an Oklahoma company, limited
22 liability company, or partnership where such
23 stock or ownership interest has been directly or
24 indirectly owned by the corporation, estate or

1 trust for a holding period of at least three (3)
2 years prior to the date of the transaction from
3 which the net capital gains arise, or

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

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

21 c. "Oklahoma company", "limited liability company", or
22 "partnership" means an entity whose primary
23 headquarters have been located in Oklahoma for at
24 least three (3) uninterrupted years prior to the date

1 of the transaction from which the net capital gains
2 arise,

3 d. "direct" means the taxpayer directly owns the asset,
4 and

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

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

22 (2) With respect to sales of stock or ownership
23 interest in or sales of all or substantially all
24 of the assets of an Oklahoma company, limited

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

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

16 1. a. In the case of individuals, there shall be added or
17 deducted, as the case may be, the difference necessary
18 to allow personal exemptions of One Thousand Dollars
19 (\$1,000.00) in lieu of the personal exemptions allowed
20 by the Internal Revenue Code.

21 b. There shall be allowed an additional exemption of One
22 Thousand Dollars (\$1,000.00) for each taxpayer or
23 spouse who is blind at the close of the tax year. For
24 purposes of this subparagraph, an individual is blind

1 only if the central visual acuity of the individual
2 does not exceed 20/200 in the better eye with
3 correcting lenses, or if the visual acuity of the
4 individual is greater than 20/200, but is accompanied
5 by a limitation in the fields of vision such that the
6 widest diameter of the visual field subtends an angle
7 no greater than twenty (20) degrees.

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

- 16 (1) Twenty-five Thousand Dollars (\$25,000.00) if
17 married and filing jointly;
- 18 (2) Twelve Thousand Five Hundred Dollars (\$12,500.00)
19 if married and filing separately;
- 20 (3) Fifteen Thousand Dollars (\$15,000.00) if single;
21 and
- 22 (4) Nineteen Thousand Dollars (\$19,000.00) if a
23 qualifying head of household.
- 24

1 Provided, for taxable years beginning after December
2 31, 1999, amounts included in the calculation of
3 federal adjusted gross income pursuant to the
4 conversion of a traditional individual retirement
5 account to a Roth individual retirement account shall
6 be excluded from federal adjusted gross income for
7 purposes of the income thresholds provided in this
8 subparagraph.

- 9 2. a. For taxable years beginning on or before December 31,
10 2005, in the case of individuals who use the standard
11 deduction in determining taxable income, there shall
12 be added or deducted, as the case may be, the
13 difference necessary to allow a standard deduction in
14 lieu of the standard deduction allowed by the Internal
15 Revenue Code, in an amount equal to the larger of
16 fifteen percent (15%) of the Oklahoma adjusted gross
17 income or One Thousand Dollars (\$1,000.00), but not to
18 exceed Two Thousand Dollars (\$2,000.00), except that
19 in the case of a married individual filing a separate
20 return such deduction shall be the larger of fifteen
21 percent (15%) of such Oklahoma adjusted gross income
22 or Five Hundred Dollars (\$500.00), but not to exceed
23 the maximum amount of One Thousand Dollars
24 (\$1,000.00).

1 b. For taxable years beginning on or after January 1,
2 2006, and before January 1, 2007, in the case of
3 individuals who use the standard deduction in
4 determining taxable income, there shall be added or
5 deducted, as the case may be, the difference necessary
6 to allow a standard deduction in lieu of the standard
7 deduction allowed by the Internal Revenue Code, in an
8 amount equal to:

9 (1) Three Thousand Dollars (\$3,000.00), if the filing
10 status is married filing joint, head of household
11 or qualifying widow; or

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

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

21 (1) Five Thousand Five Hundred Dollars (\$5,500.00),
22 if the filing status is married filing joint or
23 qualifying widow; or

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

3 (3) Two Thousand Seven Hundred Fifty Dollars
4 (\$2,750.00), if the filing status is single or
5 married filing separate.

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

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

16 (2) Four Thousand Eight Hundred Seventy-five Dollars
17 (\$4,875.00) for a head of household, or

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

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

1 may be, the difference necessary to allow a standard
2 deduction in lieu of the standard deduction allowed by
3 the Internal Revenue Code, in an amount equal to:

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

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

- 15 f. For taxable years beginning on or after January 1,
16 2010, in the case of individuals who use the standard
17 deduction in determining taxable income, there shall
18 be added or deducted, as the case may be, the
19 difference necessary to allow a standard deduction
20 equal to the standard deduction allowed by the
21 Internal Revenue Code of 1986, as amended, based upon
22 the amount and filing status prescribed by such Code
23 for purposes of filing federal individual income tax
24 returns.

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

14 4. A resident individual with a physical disability
15 constituting a substantial handicap to employment may deduct from
16 Oklahoma adjusted gross income such expenditures to modify a motor
17 vehicle, home or workplace as are necessary to compensate for his or
18 her handicap. A veteran certified by the Department of Veterans
19 Affairs of the federal government as having a service-connected
20 disability shall be conclusively presumed to be an individual with a
21 physical disability constituting a substantial handicap to
22 employment. The Tax Commission shall promulgate rules containing a
23 list of combinations of common disabilities and modifications which
24

1 may be presumed to qualify for this deduction. The Tax Commission
2 shall prescribe necessary requirements for verification.

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

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

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

19 (1) absence from the United States, which term
20 includes only the states and the District of
21 Columbia;

22 (2) absence from the State of Oklahoma while on
23 active duty; or
24

1 (3) confinement in a hospital within the United
2 States for treatment of wounds, injuries or
3 disease,

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

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

17 (b) An executor, administrator, or conservator
18 of the estate of the taxpayer is appointed,
19 whichever event occurs the earliest.

20 Provided, that the Tax Commission may, in its discretion, grant
21 any member of the Armed Forces of the United States an extension of
22 time for filing of income tax returns and payment of income tax
23 without incurring liabilities for interest or penalties. Such
24 extension may be granted only when in the judgment of the Tax

1 Commission a good cause exists therefor and may be for a period in
2 excess of six (6) months. A record of every such extension granted,
3 and the reason therefor, shall be kept.

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

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

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

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

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

17 8. Retirement benefits not to exceed Five Thousand Five Hundred
18 Dollars (\$5,500.00) for the 2004 tax year, Seven Thousand Five
19 Hundred Dollars (\$7,500.00) for the 2005 tax year and Ten Thousand
20 Dollars (\$10,000.00) for the 2006 tax year and all subsequent tax
21 years, which are received by an individual from the civil service of
22 the United States, the Oklahoma Public Employees Retirement System,
23 the Teachers' Retirement System of Oklahoma, the Oklahoma Law
24 Enforcement Retirement System, the Oklahoma Firefighters Pension and

1 Retirement System, the Oklahoma Police Pension and Retirement
2 System, the employee retirement systems created by counties pursuant
3 to Section 951 et seq. of Title 19 of the Oklahoma Statutes, the
4 Uniform Retirement System for Justices and Judges, the Oklahoma
5 Wildlife Conservation Department Retirement Fund, the Oklahoma
6 Employment Security Commission Retirement Plan, or the employee
7 retirement systems created by municipalities pursuant to Section 48-
8 101 et seq. of Title 11 of the Oklahoma Statutes shall be exempt
9 from taxable income.

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

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

1 account, including any earnings thereon, shall be included in
2 taxable income when withdrawn in the same manner as withdrawals from
3 individual retirement accounts within the meaning of Section 408 of
4 the Internal Revenue Code.

5 11. In taxable years beginning after December 31, 1995,
6 contributions made to and interest received from a medical savings
7 account established pursuant to Sections 2621 through 2623 of Title
8 63 of the Oklahoma Statutes shall be exempt from taxable income.

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

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

24 (1) the adoption of a minor, or

1 (2) a proposed adoption of a minor which did not
2 result in a decreed adoption,
3 may be deducted from the Oklahoma adjusted gross
4 income.

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

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

14 d. "Nonrecurring adoption expenses" means adoption fees,
15 court costs, medical expenses, attorney fees and
16 expenses which are directly related to the legal
17 process of adoption of a child including, but not
18 limited to, costs relating to the adoption study,
19 health and psychological examinations, transportation
20 and reasonable costs of lodging and food for the child
21 or adoptive parents which are incurred to complete the
22 adoption process and are not reimbursed by other
23 sources. The term "nonrecurring adoption expenses"
24 shall not include attorney fees incurred for the

1 purpose of litigating a contested adoption, from and
2 after the point of the initiation of the contest,
3 costs associated with physical remodeling, renovation
4 and alteration of the adoptive parents' home or
5 property, except for a special needs child as
6 authorized by the court.

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

- 1 (1) in taxable years beginning after December 31,
2 2004, and prior to January 1, 2007, the
3 qualifying amount shall be Thirty-seven Thousand
4 Five Hundred Dollars (\$37,500.00) or less if the
5 filing status is single, head of household, or
6 married filing separate, or Seventy-Five Thousand
7 Dollars (\$75,000.00) or less if the filing status
8 is married filing jointly or qualifying widow,
- 9 (2) in the taxable year beginning January 1, 2007,
10 the qualifying amount shall be Fifty Thousand
11 Dollars (\$50,000.00) or less if the filing status
12 is single, head of household, or married filing
13 separate, or One Hundred Thousand Dollars
14 (\$100,000.00) or less if the filing status is
15 married filing jointly or qualifying widow,
- 16 (3) in the taxable year beginning January 1, 2008,
17 the qualifying amount shall be Sixty-two Thousand
18 Five Hundred Dollars (\$62,500.00) or less if the
19 filing status is single, head of household, or
20 married filing separate, or One Hundred Twenty-
21 five Thousand Dollars (\$125,000.00) or less if
22 the filing status is married filing jointly or
23 qualifying widow,
24

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

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

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

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

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

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

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

11 d. The amount of the exemption provided by this paragraph
12 shall be limited to Five Thousand Five Hundred Dollars
13 (\$5,500.00) for the 2004 tax year, Seven Thousand Five
14 Hundred Dollars (\$7,500.00) for the 2005 tax year and
15 Ten Thousand Dollars (\$10,000.00) for the tax year
16 2006 and for all subsequent tax years. Any individual
17 who claims the exemption provided for in paragraph 8
18 of this subsection shall not be permitted to claim a
19 combined total exemption pursuant to this paragraph
20 and paragraph 8 of this subsection in an amount
21 exceeding Five Thousand Five Hundred Dollars
22 (\$5,500.00) for the 2004 tax year, Seven Thousand Five
23 Hundred Dollars (\$7,500.00) for the 2005 tax year and
24

1 Ten Thousand Dollars (\$10,000.00) for the 2006 tax
2 year and all subsequent tax years.

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

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

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

1 b. In taxable years beginning after December 31, 2004,
2 each taxpayer shall be allowed a deduction for
3 contributions to accounts established pursuant to the
4 Oklahoma College Savings Plan Act. The maximum annual
5 deduction shall equal the amount of contributions to
6 all such accounts plus any contributions to such
7 accounts by the taxpayer for prior taxable years after
8 December 31, 2004, which were not deducted, but in no
9 event shall the deduction for each tax year exceed Ten
10 Thousand Dollars (\$10,000.00) for each individual
11 taxpayer or Twenty Thousand Dollars (\$20,000.00) for
12 taxpayers filing a joint return. Any amount of a
13 contribution that is not deducted by the taxpayer in
14 the year for which the contribution is made may be
15 carried forward as a deduction from income for the
16 succeeding five (5) years. For taxable years
17 beginning after December 31, 2005, deductions may be
18 taken for contributions and rollovers made during a
19 taxable year and up to April 15 of the succeeding
20 year, or the due date of a taxpayer's state income tax
21 return, excluding extensions, whichever is later.
22 Provided, a deduction for the same contribution may
23 not be taken for two (2) different taxable years.

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

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

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

20 d. If a taxpayer elects to take a rollover on a
21 contribution for which a deduction has been taken
22 pursuant to subparagraph b of this paragraph within
23 one year of the date of contribution, the amount of
24 such rollover shall be included in the adjusted gross

1 income of the taxpayer in the taxable year of the
2 rollover.

3 e. If a taxpayer makes a nonqualified withdrawal of
4 contributions for which a deduction was taken pursuant
5 to subparagraph b of this paragraph, such nonqualified
6 withdrawal and any earnings thereon shall be included
7 in the adjusted gross income of the taxpayer in the
8 taxable year of the nonqualified withdrawal.

9 f. As used in this paragraph:

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

13 (a) a qualified withdrawal,

14 (b) a withdrawal made as a result of the death
15 or disability of the designated beneficiary
16 of an account,

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

1 (d) a rollover or change of designated
2 beneficiary as permitted by subsection F of
3 Section 3970.7 of Title 70 of Oklahoma
4 Statutes, and

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

8 18. For taxable years beginning after December 31, 2005,
9 retirement benefits received by an individual from any component of
10 the Armed Forces of the United States in an amount not to exceed the
11 greater of seventy-five percent (75%) of such benefits or Ten
12 Thousand Dollars (\$10,000.00) shall be exempt from taxable income
13 but in no case less than the amount of the exemption provided by
14 paragraph 14 of this subsection.

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

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

- 1 b. in the taxable year beginning January 1, 2008, forty
2 percent (40%) of such benefits shall be exempt,
3 c. in the taxable year beginning January 1, 2009, sixty
4 percent (60%) of such benefits shall be exempt,
5 d. in the taxable year beginning January 1, 2010, eighty
6 percent (80%) of such benefits shall be exempt, and
7 e. in the taxable year beginning January 1, 2011, and
8 subsequent taxable years, one hundred percent (100%)
9 of such benefits shall be exempt.

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

- 22 b. An individual may claim this deduction only once, and
23 the deduction may be claimed only for unreimbursed
24

1 expenses that are incurred by the individual and
2 related to the organ donation of the individual.

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

9 21. For taxable years beginning after December 31, 2009, there
10 shall be exempt from taxable income any amount received by the
11 beneficiary of the death benefit for an emergency medical technician
12 or a registered emergency medical responder provided by Section 1-
13 2505.1 of Title 63 of the Oklahoma Statutes.

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

18 23. For taxable years beginning after December 31, 2008, there
19 shall be exempt from taxable income any payment in an amount less
20 than Six Hundred Dollars (\$600.00) received by a person as an award
21 for participation in a competitive livestock show event. For
22 purposes of this paragraph, the payment shall be treated as a
23 scholarship amount paid by the entity sponsoring the event and the
24

1 sponsoring entity shall cause the payment to be categorized as a
2 scholarship in its books and records.

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

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

15 2. As used in this subsection:

16 a. "qualifying gains receiving capital treatment" means
17 the amount of net capital gains, as defined in Section
18 1222(11) of the Internal Revenue Code, included in an
19 individual taxpayer's federal income tax return that
20 result from:

21 (1) the sale of real property or tangible personal
22 property located within Oklahoma that has been
23 directly or indirectly owned by the individual
24 taxpayer for a holding period of at least five

1 (5) years prior to the date of the transaction
2 from which such net capital gains arise,

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

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

1 b. "holding period" means an uninterrupted period of
2 time. The holding period shall include any additional
3 period when the property was held by another
4 individual or entity, if such additional period is
5 included in the taxpayer's holding period for the
6 asset pursuant to the Internal Revenue Code,

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

13 d. "direct" means the individual taxpayer directly owns
14 the asset,

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

19 (1) With respect to sales of real property or
20 tangible personal property located within
21 Oklahoma, the deduction described in this
22 subsection shall not apply unless the pass-
23 through entity that makes the sale has held the
24 property for not less than five (5) uninterrupted

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

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

1 date of this act shall be included in the
2 determination of the required holding period
3 prescribed by this division, and

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

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

19 2. For purposes of computing its Oklahoma taxable income under
20 this section, a taxpayer shall add back otherwise deductible rents
21 and interest expenses paid to a captive real estate investment trust
22 that is not subject to the provisions of paragraph 1 of this
23 subsection. As used in this subsection:
24

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

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

12 (1) treated as an association taxable as a
13 corporation under the Internal Revenue Code of
14 1986, as amended, and

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

18 The term shall not include a real estate investment
19 trust that is intended to be regularly traded on an
20 established securities market, and that satisfies the
21 requirements of Section 856(a)(5) and (6) of the U.S.
22 Internal Revenue Code by reason of Section 856(h)(2)
23 of the Internal Revenue Code,
24

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

3 (1) any real estate investment trust as defined in
4 paragraph a of this subsection other than a
5 "captive real estate investment trust", or

6 (2) any qualified real estate investment trust
7 subsidiary under Section 856(i) of the Internal
8 Revenue Code of 1986, as amended, other than a
9 qualified REIT subsidiary of a "captive real
10 estate investment trust", or

11 (3) any Listed Australian Property Trust (meaning an
12 Australian unit trust registered as a "Managed
13 Investment Scheme" under the Australian
14 Corporations Act in which the principal class of
15 units is listed on a recognized stock exchange in
16 Australia and is regularly traded on an
17 established securities market), or an entity
18 organized as a trust, provided that a Listed
19 Australian Property Trust owns or controls,
20 directly or indirectly, seventy-five percent
21 (75%) or more of the voting power or value of the
22 beneficial interests or shares of such trust, or

23 (4) any Qualified Foreign Entity, meaning a
24 corporation, trust, association or partnership

1 organized outside the laws of the United States
2 and which satisfies the following criteria:

3 (a) at least seventy-five percent (75%) of the
4 entity's total asset value at the close of
5 its taxable year is represented by real
6 estate assets, as defined in Section
7 856(c) (5) (B) of the Internal Revenue Code of
8 1986, as amended, thereby including shares
9 or certificates of beneficial interest in
10 any real estate investment trust, cash and
11 cash equivalents, and U.S. Government
12 securities,

13 (b) the entity receives a dividend-paid
14 deduction comparable to Section 561 of the
15 Internal Revenue Code of 1986, as amended,
16 or is exempt from entity level tax,

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

23 (d) not more than ten percent (10%) of the
24 voting power or value in such entity is held

1 directly or indirectly or constructively by
2 a single entity or individual, or the shares
3 or beneficial interests of such entity are
4 regularly traded on an established
5 securities market, and

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

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

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

1 investment trust pursuant to Section 856(c)(1) of the Internal
2 Revenue Code.

3 ~~SECTION 6. It being immediately necessary for the preservation~~
4 ~~of the public peace, health and safety, an emergency is hereby~~
5 ~~declared to exist, by reason whereof this act shall take effect and~~
6 ~~be in full force from and after its passage and approval.~~

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