

# An Act

ENROLLED SENATE  
BILL NO. 225

By: Griffin of the Senate

and

Wright of the House

An Act relating to income taxes; amending 68 O.S. 2011, Section 2385.26, which relates to withholding and royalty interest owners; adding to types of royalty interest owners for which certain withholding is not required; and providing an effective date.

SUBJECT: Royalty interest payments

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

SECTION 1. AMENDATORY 68 O.S. 2011, Section 2385.26, is amended to read as follows:

Section 2385.26. A. Each remitter, except as otherwise provided in subsection B of this section, shall deduct and withhold from each payment being made to any royalty interest owner in respect to production of oil and gas in this state, but not including that to which the remitter is entitled, an amount equal to five percent (5%) of the gross amount which would have otherwise been payable to the person entitled to the payment.

B. The obligation to deduct and withhold from payments as provided in subsection A of this section does not apply to those payments which are made to:

1. Current or permanent residents of Oklahoma;

2. The United States, this state or any state or federal agency or political subdivision;

3. Any charitable institution; ~~or~~

4. Any federally recognized Indian tribe; or

5. A publicly-traded partnership as defined by Section 7704 (b) of the Internal Revenue Code, 26 U.S. Code 7704 (b), that is treated as a partnership for federal tax purposes under Section 7704 (c) of the Internal Revenue Code, 26 U.S. Code 7704 (c), or its publicly-traded partnership affiliates. As used in this paragraph, "publicly-traded partnership affiliates" shall include any limited liability company or limited partnership for which at least eighty percent (80%) of the limited liability member interests or limited partnership interests of which are owned directly or indirectly by the publicly-traded partnership.

The obligation to deduct and withhold from payments as provided in subsection A of this section does not apply if the remitter and the royalty interest owner are the same person.

C. Any royalty interest owner from whom an amount is withheld pursuant to the provisions of subsection A of this section, or if the royalty interest owner is not liable to the State of Oklahoma for income taxes, any person to whom a royalty interest owner subsequently distributes royalty payments with respect to which an amount is withheld pursuant to the provisions of subsection A of this section, and who files an income tax return with this state is entitled to a credit against the tax as shown on the return for the amount withheld by the remitter under subsection A of this section. If the amount withheld is greater than the tax due on the return, the person filing the return shall be entitled to a refund in the amount of the overpayment.

SECTION 2. This act shall become effective November 1, 2017.

Passed the Senate the 6th day of March, 2017.

\_\_\_\_\_  
Presiding Officer of the Senate

Passed the House of Representatives the 17th day of April, 2017.

\_\_\_\_\_  
Presiding Officer of the House  
of Representatives

OFFICE OF THE GOVERNOR

Received by the Office of the Governor this \_\_\_\_\_

day of \_\_\_\_\_, 20\_\_\_\_\_, at \_\_\_\_\_ o'clock \_\_\_\_\_ M.

By: \_\_\_\_\_

Approved by the Governor of the State of Oklahoma this \_\_\_\_\_

day of \_\_\_\_\_, 20\_\_\_\_\_, at \_\_\_\_\_ o'clock \_\_\_\_\_ M.

\_\_\_\_\_  
Governor of the State of Oklahoma

OFFICE OF THE SECRETARY OF STATE

Received by the Office of the Secretary of State this \_\_\_\_\_

day of \_\_\_\_\_, 20\_\_\_\_\_, at \_\_\_\_\_ o'clock \_\_\_\_\_ M.

By: \_\_\_\_\_