

1 STATE OF OKLAHOMA

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

3 SENATE BILL 626

By: Bergstrom

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7 AS INTRODUCED

8 An Act relating to income tax; amending 68 O.S. 2021,  
9 Section 2358, as last amended by Section 1, Chapter  
10 377, O.S.L. 2022 (68 O.S. Supp. 2022, Section 2358),  
11 which relates to adjustments to arrive at Oklahoma  
taxable income and Oklahoma adjusted gross income;  
providing exemption to limit on itemized deduction  
for gambling losses; and providing an effective date.

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

16 SECTION 1. AMENDATORY 68 O.S. 2021, Section 2358, as  
17 last amended by Section 1, Chapter 377, O.S.L. 2022 (68 O.S. Supp.  
18 2022, Section 2358), is amended to read as follows:

19 Section 2358. For all tax years beginning after December 31,  
20 1981, taxable income and adjusted gross income shall be adjusted to  
21 arrive at Oklahoma taxable income and Oklahoma adjusted gross income  
22 as required by this section.  
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1 A. The taxable income of any taxpayer shall be adjusted to  
2 arrive at Oklahoma taxable income for corporations and Oklahoma  
3 adjusted gross income for individuals, as follows:

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

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

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

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

1           b. For carryovers and carrybacks to taxable years  
2 beginning after December 31, 1980, the amount of any  
3 net operating loss deduction allowed for the taxable  
4 year shall be an amount equal to the aggregate of the  
5 Oklahoma net operating loss carryovers and carrybacks  
6 to such year. Oklahoma net operating losses shall be  
7 separately determined by reference to Section 172 of  
8 the Internal Revenue Code, 26 U.S.C., Section 172, as  
9 modified by the Oklahoma Income Tax Act, Section 2351  
10 et seq. of this title, and shall be allowed without  
11 regard to the existence of a federal net operating  
12 loss. For tax years beginning after December 31,  
13 2000, and ending before January 1, 2008, the years to  
14 which such losses may be carried shall be determined  
15 solely by reference to Section 172 of the Internal  
16 Revenue Code, 26 U.S.C., Section 172, with the  
17 exception that the terms "net operating loss" and  
18 "taxable income" shall be replaced with "Oklahoma net  
19 operating loss" and "Oklahoma taxable income". For  
20 tax years beginning after December 31, 2007, and  
21 ending before January 1, 2009, years to which such  
22 losses may be carried back shall be limited to two (2)  
23 years. For tax years beginning after December 31,  
24 2008, the years to which such losses may be carried

1 back shall be determined solely by reference to  
2 Section 172 of the Internal Revenue Code, 26 U.S.C.,  
3 Section 172, with the exception that the terms "net  
4 operating loss" and "taxable income" shall be replaced  
5 with "Oklahoma net operating loss" and "Oklahoma  
6 taxable income".

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

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

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

22 (1) where such property has acquired a nonunitary  
23 business or commercial situs apart from the  
24 domicile of the taxpayer such income shall be

1 allocated in accordance with such business or  
2 commercial situs; interest income from  
3 investments held to generate working capital for  
4 a unitary business enterprise shall be included  
5 in apportionable income; a resident trust or  
6 resident estate shall be treated as having a  
7 separate commercial or business situs insofar as  
8 undistributed income is concerned, but shall not  
9 be treated as having a separate commercial or  
10 business situs insofar as distributed income is  
11 concerned,

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

1 ownership interest in the partnership shall be  
2 allocated to this state in accordance with the  
3 sales factor of the partnership for its first  
4 full tax period immediately preceding its tax  
5 period during which the ownership interest in the  
6 partnership was sold; the provisions of this  
7 division shall only apply if the capital or  
8 ordinary gains or losses from the sale of an  
9 ownership interest in a partnership do not  
10 constitute qualifying gain receiving capital  
11 treatment as defined in subparagraph a of  
12 paragraph 2 of subsection F of this section, and

13 (3) income from such property which is required to be  
14 allocated pursuant to the provisions of paragraph  
15 5 of this subsection shall be allocated as herein  
16 provided;

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

22 d. In the case of a manufacturing or processing  
23 enterprise the business of which in Oklahoma consists  
24 solely of marketing its products by:

1 (1) sales having a situs without this state, shipped  
2 directly to a point from without the state to a  
3 purchaser within the state, commonly known as  
4 interstate sales,

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

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

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

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

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

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

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

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

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

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

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

1 and trailers, including machinery and equipment  
2 carried thereon, airplanes, salespersons'  
3 automobiles, and other similar equipment, in the  
4 proportion that miles traveled in Oklahoma by  
5 such equipment bears to total miles traveled,

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

11 For purposes of this paragraph:

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

24  
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1           b. "Facility" means each part of the facility which is  
2 used in a process primarily for:

3           (1) the processing of agricultural commodities,  
4 including receiving or storing agricultural  
5 commodities, or the production of milk at a dairy  
6 operation,

7           (2) transporting the agricultural commodities or  
8 product before, during, or after the processing,  
9 or

10          (3) packaging or otherwise preparing the product for  
11 sale or shipment.

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

19           a. Sixty Thousand Dollars (\$60,000.00), or

20           b. the loss properly shown on Schedule F of the Internal  
21 Revenue Service Form 1040 reduced by one-half (1/2) of  
22 the income from all other sources other than reflected  
23 on Schedule F.

1 8. In taxable years beginning after December 31, 1995, all  
2 qualified wages equal to the federal income tax credit set forth in  
3 26 U.S.C.A., Section 45A, shall be deducted from taxable income.  
4 The deduction allowed pursuant to this paragraph shall only be  
5 permitted for the tax years in which the federal tax credit pursuant  
6 to 26 U.S.C.A., Section 45A, is allowed. For purposes of this  
7 paragraph, "qualified wages" means those wages used to calculate the  
8 federal credit pursuant to 26 U.S.C.A., Section 45A.

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

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

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

23 B. 1. The taxable income of any corporation shall be further  
24 adjusted to arrive at Oklahoma taxable income, except those

1 corporations electing treatment as provided in subchapter S of the  
2 Internal Revenue Code, 26 U.S.C., Section 1361 et seq., and Section  
3 2365 of this title, deductions pursuant to the provisions of the  
4 Accelerated Cost Recovery System as defined and allowed in the  
5 Economic Recovery Tax Act of 1981, Public Law 97-34, 26 U.S.C.,  
6 Section 168, for depreciation of assets placed into service after  
7 December 31, 1981, shall not be allowed in calculating Oklahoma  
8 taxable income. Such corporations shall be allowed a deduction for  
9 depreciation of assets placed into service after December 31, 1981,  
10 in accordance with provisions of the Internal Revenue Code, 26  
11 U.S.C., Section 1 et seq., in effect immediately prior to the  
12 enactment of the Accelerated Cost Recovery System. The Oklahoma tax  
13 basis for all such assets placed into service after December 31,  
14 1981, calculated in this section shall be retained and utilized for  
15 all Oklahoma income tax purposes through the final disposition of  
16 such assets.

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

22 For assets placed in service and held by a corporation in which  
23 accelerated cost recovery system was previously disallowed, an  
24 adjustment to taxable income is required in the first taxable year

1 beginning after December 31, 1982, to reconcile the basis of such  
2 assets to the basis allowed in the Internal Revenue Code. The  
3 purpose of this adjustment is to equalize the basis and allowance  
4 for depreciation accounts between that reported to the Internal  
5 Revenue Service and that reported to Oklahoma.

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

12 C. 1. For taxable years beginning after December 31, 1987, the  
13 taxable income of any corporation shall be further adjusted to  
14 arrive at Oklahoma taxable income for transfers of technology to  
15 qualified small businesses located in Oklahoma. Such transferor  
16 corporation shall be allowed an exemption from taxable income of an  
17 amount equal to the amount of royalty payment received as a result  
18 of such transfer; provided, however, such amount shall not exceed  
19 ten percent (10%) of the amount of gross proceeds received by such  
20 transferor corporation as a result of the technology transfer. Such  
21 exemption shall be allowed for a period not to exceed ten (10) years  
22 from the date of receipt of the first royalty payment accruing from  
23 such transfer. No exemption may be claimed for transfers of  
24

1 technology to qualified small businesses made prior to January 1,  
2 1988.

3 2. For purposes of this subsection:

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

9 (1) ~~Capitalization~~ capitalization of not more than  
10 Two Hundred Fifty Thousand Dollars (\$250,000.00),

11 (2) ~~Having~~ having at least fifty percent (50%) of its  
12 employees and assets located in Oklahoma at the  
13 time of the transfer, and

14 (3) ~~Not~~ not a subsidiary or affiliate of the  
15 transferor corporation;

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

20 c. "Transferor corporation" means a corporation which is  
21 the exclusive and undisputed owner of the technology  
22 at the time the transfer is made; and



1           d. "Gross proceeds" means the total amount of  
2           consideration for the transfer of technology, whether  
3           the consideration is in money or otherwise.

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

12           2. As used in this subsection:

13           a. "qualifying gains receiving capital treatment" means  
14           the amount of net capital gains, as defined in Section  
15           1222(11) of the Internal Revenue Code, included in the  
16           federal income tax return of the corporation, estate,  
17           or trust that result from:

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

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

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

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

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

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

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

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

15 (1) With respect to sales of real property or  
16 tangible personal property located within  
17 Oklahoma, the deduction described in this  
18 subsection shall not apply unless the pass-  
19 through entity that makes the sale has held the  
20 property for not less than five (5) uninterrupted  
21 years prior to the date of the transaction that  
22 created the capital gain, and each pass-through  
23 entity included in the chain of ownership has  
24 been a member, partner, or shareholder of the  
25

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

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

19 E. The Oklahoma adjusted gross income of any individual  
20 taxpayer shall be further adjusted as follows to arrive at Oklahoma  
21 taxable income:

22 1. a. In the case of individuals, there shall be added or  
23 deducted, as the case may be, the difference necessary  
24 to allow personal exemptions of One Thousand Dollars

1 (\$1,000.00) in lieu of the personal exemptions allowed  
2 by the Internal Revenue Code.

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

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

22 (1) Twenty-five Thousand Dollars (\$25,000.00) if  
23 married and filing jointly~~+~~1

- 1 (2) Twelve Thousand Five Hundred Dollars (\$12,500.00)  
2 if married and filing separately~~†~~,  
3 (3) Fifteen Thousand Dollars (\$15,000.00) if single~~†~~,  
4 and  
5 (4) Nineteen Thousand Dollars (\$19,000.00) if a  
6 qualifying head of household.

7 Provided, for taxable years beginning after December  
8 31, 1999, amounts included in the calculation of  
9 federal adjusted gross income pursuant to the  
10 conversion of a traditional individual retirement  
11 account to a Roth individual retirement account shall  
12 be excluded from federal adjusted gross income for  
13 purposes of the income thresholds provided in this  
14 subparagraph.

- 15 2. a. For taxable years beginning on or before December 31,  
16 2005, 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 in  
20 lieu of the standard deduction allowed by the Internal  
21 Revenue Code, in an amount equal to the larger of  
22 fifteen percent (15%) of the Oklahoma adjusted gross  
23 income or One Thousand Dollars (\$1,000.00), but not to  
24 exceed Two Thousand Dollars (\$2,000.00), except that

1 in the case of a married individual filing a separate  
2 return such deduction shall be the larger of fifteen  
3 percent (15%) of such Oklahoma adjusted gross income  
4 or Five Hundred Dollars (\$500.00), but not to exceed  
5 the maximum amount of One Thousand Dollars  
6 (\$1,000.00).

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

15 (1) Three Thousand Dollars (\$3,000.00), if the filing  
16 status is married filing joint, head of  
17 household, or qualifying widow~~r~~, or

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

20 c. For the taxable year beginning on January 1, 2007, and  
21 ending December 31, 2007, in the case of individuals  
22 who use the standard deduction in determining taxable  
23 income, there shall be added or deducted, as the case  
24 may be, the difference necessary to allow a standard  
25

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

3 (1) Five Thousand Five Hundred Dollars (\$5,500.00),  
4 if the filing status is married filing joint or  
5 qualifying widow ~~or~~, or

6 (2) Four Thousand One Hundred Twenty-five Dollars  
7 (\$4,125.00) for a head of household ~~or~~, or

8 (3) Two Thousand Seven Hundred Fifty Dollars  
9 (\$2,750.00), if the filing status is single or  
10 married filing separate.

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

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

21 (2) Four Thousand Eight Hundred Seventy-five Dollars  
22 (\$4,875.00) for a head of household, or  
23  
24  
25



1 (3) Three Thousand Two Hundred Fifty Dollars  
2 (\$3,250.00), if the filing status is single or  
3 married filing separate.

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

11 (1) Eight Thousand Five Hundred Dollars (\$8,500.00),  
12 if the filing status is married filing joint or  
13 qualifying widow, ~~or~~

14 (2) Six Thousand Three Hundred Seventy-five Dollars  
15 (\$6,375.00) for a head of household, or

16 (3) Four Thousand Two Hundred Fifty Dollars  
17 (\$4,250.00), if the filing status is single or  
18 married filing separate.

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

22 f. For taxable years beginning on or after January 1,  
23 2010, and ending on December 31, 2016, in the case of  
24 individuals who use the standard deduction in  
25

1 determining taxable income, there shall be added or  
2 deducted, as the case may be, the difference necessary  
3 to allow a standard deduction equal to the standard  
4 deduction allowed by the Internal Revenue Code, based  
5 upon the amount and filing status prescribed by such  
6 Code for purposes of filing federal individual income  
7 tax returns.

8 g. For taxable years beginning on or after January 1,  
9 2017, in the case of individuals who use the standard  
10 deduction in determining taxable income, there shall  
11 be added or deducted, as the case may be, the  
12 difference necessary to allow a standard deduction in  
13 lieu of the standard deduction allowed by the Internal  
14 Revenue Code, as follows:

15 (1) Six Thousand Three Hundred Fifty Dollars  
16 (\$6,350.00) for single or married filing  
17 separately,

18 (2) Twelve Thousand Seven Hundred Dollars  
19 (\$12,700.00) for married filing jointly or  
20 qualifying widower with dependent child, and

21 (3) Nine Thousand Three Hundred Fifty Dollars  
22 (\$9,350.00) for head of household.

23 3. a. In the case of resident and part-year resident  
24 individuals having adjusted gross income from sources

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

- 15 b. For taxable years beginning on or after January 1,  
16 2018, the net amount of itemized deductions allowable  
17 on an Oklahoma income tax return, subject to the  
18 provisions of paragraph 24 of this subsection, shall  
19 not exceed Seventeen Thousand Dollars (\$17,000.00).  
20 For purposes of this subparagraph, charitable  
21 contributions and medical expenses, and, for tax year  
22 2024 and subsequent tax years, gambling losses,  
23 deductible for federal income tax purposes shall be  
24

1 excluded from the amount of Seventeen Thousand Dollars  
2 (\$17,000.00) as specified by this subparagraph.

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

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

21 b. On or after July 1, 2010, one hundred percent (100%)  
22 of the income received by any person from the United  
23 States as salary or compensation in any form, other  
24 than retirement benefits, as a member of any component

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

3 c. Whenever the filing of a timely income tax return by a  
4 member of the Armed Forces of the United States is  
5 made impracticable or impossible of accomplishment by  
6 reason of:

7 (1) absence from the United States, which term  
8 includes only the states and the District of  
9 Columbia~~†~~,‡

10 (2) absence from ~~the State of Oklahoma~~ this state  
11 while on active duty~~†~~,‡ or

12 (3) confinement in a hospital within the United  
13 States for treatment of wounds, injuries,‡ or  
14 disease,

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

19 (a) ~~Such~~ such individual shall return to the  
20 United States if the extension is granted  
21 pursuant to subparagraph a of this  
22 paragraph, return to ~~the State of Oklahoma~~  
23 this state if the extension is granted  
24 pursuant to subparagraph b of this paragraph  
25

1 or be discharged from such hospital if the  
2 extension is granted pursuant to  
3 subparagraph c of this paragraph~~7~~, or

4 (b) ~~An~~ an executor, administrator, or  
5 conservator of the estate of the taxpayer is  
6 appointed, whichever event occurs the  
7 earliest.

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

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

- 1           7. a.     An individual taxpayer, whether resident or  
2                            nonresident, may deduct an amount equal to the federal  
3                            income taxes paid by the taxpayer during the taxable  
4                            year.
- 5           b.     Federal taxes as described in subparagraph a of this  
6                            paragraph shall be deductible by any individual  
7                            taxpayer, whether resident or nonresident, only to the  
8                            extent they relate to income subject to taxation  
9                            pursuant to the provisions of the Oklahoma Income Tax  
10                           Act. The maximum amount allowable in the preceding  
11                           paragraph shall be prorated on the ratio of the  
12                           Oklahoma adjusted gross income to federal adjusted  
13                           gross income.
- 14          c.     For the purpose of this paragraph, "federal income  
15                            taxes paid" shall mean federal income taxes, surtaxes  
16                            imposed on incomes or excess profits taxes, as though  
17                            the taxpayer was on the accrual basis. In determining  
18                            the amount of deduction for federal income taxes for  
19                            tax year 2001, the amount of the deduction shall not  
20                            be adjusted by the amount of any accelerated ten  
21                            percent (10%) tax rate bracket credit or advanced  
22                            refund of the credit received during the tax year  
23                            provided pursuant to the federal Economic Growth and  
24                            Tax Relief Reconciliation Act of 2001, P.L. No. 107-

1                   16, and the advanced refund of such credit shall not  
2                   be subject to taxation.

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

6                   8.    Retirement benefits not to exceed Five Thousand Five Hundred  
7                   Dollars (\$5,500.00) for the 2004 tax year, Seven Thousand Five  
8                   Hundred Dollars (\$7,500.00) for the 2005 tax year and Ten Thousand  
9                   Dollars (\$10,000.00) for the 2006 tax year and all subsequent tax  
10                  years, which are received by an individual from the civil service of  
11                  the United States, the Oklahoma Public Employees Retirement System,  
12                  the Teachers' Retirement System of Oklahoma, the Oklahoma Law  
13                  Enforcement Retirement System, the Oklahoma Firefighters Pension and  
14                  Retirement System, the Oklahoma Police Pension and Retirement  
15                  System, the employee retirement systems created by counties pursuant  
16                  to Section 951 et seq. of Title 19 of the Oklahoma Statutes, the  
17                  Uniform Retirement System for Justices and Judges, the Oklahoma  
18                  Wildlife Conservation Department Retirement Fund, the Oklahoma  
19                  Employment Security Commission Retirement Plan, or the employee  
20                  retirement systems created by municipalities pursuant to Section 48-  
21                  101 et seq. of Title 11 of the Oklahoma Statutes shall be exempt  
22                  from taxable income.

23                  9.    In taxable years beginning after December 31, 1984, Social  
24                  Security benefits received by an individual shall be exempt from



1 taxable income, to the extent such benefits are included in the  
2 federal adjusted gross income pursuant to the provisions of Section  
3 86 of the Internal Revenue Code, 26 U.S.C., Section 86.

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

18 11. In taxable years beginning after December 31, 1995,  
19 contributions made to and interest received from a medical savings  
20 account established pursuant to Sections 2621 through 2623 of Title  
21 63 of the Oklahoma Statutes shall be exempt from taxable income.

22 12. For taxable years beginning after December 31, 1996, the  
23 Oklahoma adjusted gross income of any individual taxpayer who is a  
24 swine or poultry producer may be further adjusted for the deduction

1 for depreciation allowed for new construction or expansion costs  
2 which may be computed using the same depreciation method elected for  
3 federal income tax purposes except that the useful life shall be  
4 seven (7) years for purposes of this paragraph. If depreciation is  
5 allowed as a deduction in determining the adjusted gross income of  
6 an individual, any depreciation calculated and claimed pursuant to  
7 this section shall in no event be a duplication of any depreciation  
8 allowed or permitted on the federal income tax return of the  
9 individual.

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

13 (1) the adoption of a minor, or

14 (2) a proposed adoption of a minor which did not  
15 result in a decreed adoption,

16 may be deducted from the Oklahoma adjusted gross  
17 income.

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

21 c. The Tax Commission shall promulgate rules to implement  
22 the provisions of this paragraph which shall contain a  
23 specific list of nonrecurring adoption expenses which  
24 may be presumed to qualify for the deduction. The Tax  
25

1 Commission shall prescribe necessary requirements for  
2 verification.

3 d. "Nonrecurring adoption expenses" means adoption fees,  
4 court costs, medical expenses, attorney fees, and  
5 expenses which are directly related to the legal  
6 process of adoption of a child including, but not  
7 limited to, costs relating to the adoption study,  
8 health and psychological examinations, transportation,  
9 and reasonable costs of lodging and food for the child  
10 or adoptive parents which are incurred to complete the  
11 adoption process and are not reimbursed by other  
12 sources. The term "nonrecurring adoption expenses"  
13 shall not include attorney fees incurred for the  
14 purpose of litigating a contested adoption, from and  
15 after the point of the initiation of the contest,  
16 costs associated with physical remodeling, renovation  
17 and alteration of the adoptive parents' home or  
18 property, except for a special needs child as  
19 authorized by the court.

20 14. a. In taxable years beginning before January 1, 2005,  
21 retirement benefits not to exceed the amounts  
22 specified in this paragraph, which are received by an  
23 individual sixty-five (65) years of age or older and  
24 whose Oklahoma adjusted gross income is Twenty-five

1 Thousand Dollars (\$25,000.00) or less if the filing  
2 status is single, head of household, or married filing  
3 separate, or Fifty Thousand Dollars (\$50,000.00) or  
4 less if the filing status is married filing joint or  
5 qualifying widow, shall be exempt from taxable income.  
6 In taxable years beginning after December 31, 2004,  
7 retirement benefits not to exceed the amounts  
8 specified in this paragraph, which are received by an  
9 individual whose Oklahoma adjusted gross income is  
10 less than the qualifying amount specified in this  
11 paragraph, shall be exempt from taxable income.

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

- 14 (1) in taxable years beginning after December 31,  
15 2004, and prior to January 1, 2007, the  
16 qualifying amount shall be Thirty-seven Thousand  
17 Five Hundred Dollars (\$37,500.00) or less if the  
18 filing status is single, head of household, or  
19 married filing separate, or Seventy-five Thousand  
20 Dollars (\$75,000.00) or less if the filing status  
21 is married filing jointly or qualifying widow,  
22 (2) in the taxable year beginning January 1, 2007,  
23 the qualifying amount shall be Fifty Thousand  
24 Dollars (\$50,000.00) or less if the filing status

1 is single, head of household, or married filing  
2 separate, or One Hundred Thousand Dollars  
3 (\$100,000.00) or less if the filing status is  
4 married filing jointly or qualifying widow,

5 (3) in the taxable year beginning January 1, 2008,  
6 the qualifying amount shall be Sixty-two Thousand  
7 Five Hundred Dollars (\$62,500.00) or less if the  
8 filing status is single, head of household, or  
9 married filing separate, or One Hundred Twenty-  
10 five Thousand Dollars (\$125,000.00) or less if  
11 the filing status is married filing jointly or  
12 qualifying widow,

13 (4) in the taxable year beginning January 1, 2009,  
14 the qualifying amount shall be One Hundred  
15 Thousand Dollars (\$100,000.00) or less if the  
16 filing status is single, head of household, or  
17 married filing separate, or Two Hundred Thousand  
18 Dollars (\$200,000.00) or less if the filing  
19 status is married filing jointly or qualifying  
20 widow, and

21 (5) in the taxable year beginning January 1, 2010,  
22 and subsequent taxable years, there shall be no  
23 limitation upon the qualifying amount.  
24

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

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

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

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

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

17 (5) United States Retirement Bonds which satisfy the  
18 requirements of Section 86 of the Internal  
19 Revenue Code, 26 U.S.C., Section 86, or

20 (6) lump-sum distributions from a retirement plan  
21 which satisfies the requirements of Section  
22 402(e) of the Internal Revenue Code, 26 U.S.C.,  
23 Section 402(e).

1 d. The amount of the exemption provided by this paragraph  
2 shall be limited to Five Thousand Five Hundred Dollars  
3 (\$5,500.00) for the 2004 tax year, Seven Thousand Five  
4 Hundred Dollars (\$7,500.00) for the 2005 tax year and  
5 Ten Thousand Dollars (\$10,000.00) for the tax year  
6 2006 and for all subsequent tax years. Any individual  
7 who claims the exemption provided for in paragraph 8  
8 of this subsection shall not be permitted to claim a  
9 combined total exemption pursuant to this paragraph  
10 and paragraph 8 of this subsection in an amount  
11 exceeding Five Thousand Five Hundred Dollars  
12 (\$5,500.00) for the 2004 tax year, Seven Thousand Five  
13 Hundred Dollars (\$7,500.00) for the 2005 tax year and  
14 Ten Thousand Dollars (\$10,000.00) for the 2006 tax  
15 year and all subsequent tax years.

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

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

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

15           b. In taxable years beginning after December 31, 2004,  
16 each taxpayer shall be allowed a deduction for  
17 contributions to accounts established pursuant to the  
18 Oklahoma College Savings Plan Act. The maximum annual  
19 deduction shall equal the amount of contributions to  
20 all such accounts plus any contributions to such  
21 accounts by the taxpayer for prior taxable years after  
22 December 31, 2004, which were not deducted, but in no  
23 event shall the deduction for each tax year exceed Ten  
24 Thousand Dollars (\$10,000.00) for each individual



1 taxpayer or Twenty Thousand Dollars (\$20,000.00) for  
2 taxpayers filing a joint return. Any amount of a  
3 contribution that is not deducted by the taxpayer in  
4 the year for which the contribution is made may be  
5 carried forward as a deduction from income for the  
6 succeeding five (5) years. For taxable years  
7 beginning after December 31, 2005, deductions may be  
8 taken for contributions and rollovers made during a  
9 taxable year and up to April 15 of the succeeding  
10 year, or the due date of a taxpayer's state income tax  
11 return, excluding extensions, whichever is later.  
12 Provided, a deduction for the same contribution may  
13 not be taken for two (2) different taxable years.

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

18 (1) for a taxpayer who qualified for the five-year  
19 carryforward election and who takes a rollover or  
20 nonqualified withdrawal during that period, the  
21 tax deduction otherwise available pursuant to  
22 subparagraph b of this paragraph shall be reduced  
23 by the amount which is equal to the rollover or  
24 nonqualified withdrawal, and

1 (2) for a taxpayer who elects to take a rollover or  
2 nonqualified withdrawal within the same tax year  
3 in which a contribution was made to the  
4 taxpayer's account, the tax deduction otherwise  
5 available pursuant to subparagraph b of this  
6 paragraph shall be reduced by the amount of the  
7 contribution which is equal to the rollover or  
8 nonqualified withdrawal.

9 d. If a taxpayer elects to take a rollover on a  
10 contribution for which a deduction has been taken  
11 pursuant to subparagraph b of this paragraph within  
12 one (1) year of the date of contribution, the amount  
13 of such rollover shall be included in the adjusted  
14 gross income of the taxpayer in the taxable year of  
15 the rollover.

16 e. If a taxpayer makes a nonqualified withdrawal of  
17 contributions for which a deduction was taken pursuant  
18 to subparagraph b of this paragraph, such nonqualified  
19 withdrawal and any earnings thereon shall be included  
20 in the adjusted gross income of the taxpayer in the  
21 taxable year of the nonqualified withdrawal.

22 f. As used in this paragraph:  
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- 1 (1) "non-qualified withdrawal" means a withdrawal  
2 from an Oklahoma College Savings Plan account  
3 other than one of the following:  
4 (a) a qualified withdrawal,  
5 (b) a withdrawal made as a result of the death  
6 or disability of the designated beneficiary  
7 of an account,  
8 (c) a withdrawal that is made on the account of  
9 a scholarship or the allowance or payment  
10 described in Section 135(d)(1)(B) or (C) or  
11 by the Internal Revenue Code, received by  
12 the designated beneficiary to the extent the  
13 amount of the refund does not exceed the  
14 amount of the scholarship, allowance, or  
15 payment, or  
16 (d) a rollover or change of designated  
17 beneficiary as permitted by subsection F of  
18 Section 3970.7 of Title 70 of Oklahoma  
19 Statutes, and

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

23 18. For tax years 2006 through 2021, retirement benefits  
24 received by an individual from any component of the Armed Forces of

1 the United States in an amount not to exceed the greater of seventy-  
2 five percent (75%) of such benefits or Ten Thousand Dollars  
3 (\$10,000.00) shall be exempt from taxable income but in no case less  
4 than the amount of the exemption provided by paragraph 14 of this  
5 subsection. For tax year 2022 and subsequent tax years, retirement  
6 benefits received by an individual from any component of the Armed  
7 Forces of the United States shall be exempt from taxable income.

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

- 15 a. in the taxable year beginning January 1, 2007, twenty  
16 percent (20%) of such benefits shall be exempt,
- 17 b. in the taxable year beginning January 1, 2008, forty  
18 percent (40%) of such benefits shall be exempt,
- 19 c. in the taxable year beginning January 1, 2009, sixty  
20 percent (60%) of such benefits shall be exempt,
- 21 d. in the taxable year beginning January 1, 2010, eighty  
22 percent (80%) of such benefits shall be exempt, and  
23  
24  
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1 e. in the taxable year beginning January 1, 2011, and  
2 subsequent taxable years, one hundred percent (100%)  
3 of such benefits shall be exempt.

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

16 b. An individual may claim this deduction only once, and  
17 the deduction may be claimed only for unreimbursed  
18 expenses that are incurred by the individual and  
19 related to the organ donation of the individual.

20 c. The Oklahoma Tax Commission shall promulgate rules to  
21 implement the provisions of this paragraph which shall  
22 contain a specific list of expenses which may be  
23 presumed to qualify for the deduction. The Tax  
24

1 Commission shall prescribe necessary requirements for  
2 verification.

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

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

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

20 24. For taxable years beginning on or after January 1, 2016,  
21 taxable income shall be increased by any amount of state and local  
22 sales or income taxes deducted under 26 U.S.C., Section 164 of the  
23 Internal Revenue Code. If the amount of state and local taxes  
24 deducted on the federal return is limited, taxable income on the

1 state return shall be increased only by the amount actually deducted  
2 after any such limitations are applied.

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

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

24 2. As used in this subsection:  
25

1 a. "qualifying gains receiving capital treatment" means  
2 the amount of net capital gains, as defined in Section  
3 1222(11) of the Internal Revenue Code, included in an  
4 individual taxpayer's federal income tax return that  
5 result from:

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

12 (2) the sale of stock or the sale of a direct or  
13 indirect ownership interest in an Oklahoma  
14 company, limited liability company, or  
15 partnership where such stock or ownership  
16 interest has been directly or indirectly owned by  
17 the individual taxpayer for a holding period of  
18 at least two (2) years prior to the date of the  
19 transaction from which the net capital gains  
20 arise, or

21 (3) the sale of real property, tangible personal  
22 property, or intangible personal property located  
23 within Oklahoma as part of the sale of all or  
24 substantially all of the assets of an Oklahoma  
25



1 company, limited liability company, ~~or~~  
2 partnership, or an Oklahoma proprietorship  
3 business enterprise where such property has been  
4 directly or indirectly owned by such entity or  
5 business enterprise or owned by the owners of  
6 such entity or business enterprise for a period  
7 of at least two (2) years prior to the date of  
8 the transaction from which the net capital gains  
9 arise,

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

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

22 d. "direct" means the individual taxpayer directly owns  
23 the asset,

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

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

18 (2) With respect to sales of stock or ownership  
19 interest in or sales of all or substantially all  
20 of the assets of an Oklahoma company, limited  
21 liability company, partnership, or Oklahoma  
22 proprietorship business enterprise, the deduction  
23 described in this subsection shall not apply  
24 unless the pass-through entity that makes the

1 sale has held the stock or ownership interest for  
2 not less than two (2) uninterrupted years prior  
3 to the date of the transaction that created the  
4 capital gain, and each pass-through entity  
5 included in the chain of ownership has been a  
6 member, partner, or shareholder of the pass-  
7 through entity in the tier immediately below it  
8 for an uninterrupted period of not less than two  
9 (2) years. For purposes of this division,  
10 uninterrupted ownership prior to July 1, 2007,  
11 shall be included in the determination of the  
12 required holding period prescribed by this  
13 division, and

14 f. "Oklahoma proprietorship business enterprise" means a  
15 business enterprise whose income and expenses have  
16 been reported on Schedule C or F of an individual  
17 taxpayer's federal income tax return, or any similar  
18 successor schedule published by the Internal Revenue  
19 Service and whose primary headquarters have been  
20 located in Oklahoma for at least three (3)  
21 uninterrupted years prior to the date of the  
22 transaction from which the net capital gains arise.

23 G. 1. For purposes of computing its Oklahoma taxable income  
24 under this section, the dividends-paid deduction otherwise allowed

1 by federal law in computing net income of a real estate investment  
2 trust that is subject to federal income tax shall be added back in  
3 computing the tax imposed by this state under this title if the real  
4 estate investment trust is a captive real estate investment trust.

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

10 a. the term "real estate investment trust" or "REIT"  
11 means the meaning ascribed to such term in Section 856  
12 of the Internal Revenue Code,

13 b. the term "captive real estate investment trust" means  
14 a real estate investment trust, the shares or  
15 beneficial interests of which are not regularly traded  
16 on an established securities market and more than  
17 fifty percent (50%) of the voting power or value of  
18 the beneficial interests or shares of which are owned  
19 or controlled, directly or indirectly, or  
20 constructively, by a single entity that is:

21 (1) treated as an association taxable as a  
22 corporation under the Internal Revenue Code, and  
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24  
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1 (2) not exempt from federal income tax pursuant to  
2 the provisions of Section 501(a) of the Internal  
3 Revenue Code.

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

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

12 (1) any real estate investment trust as defined in  
13 paragraph a of this subsection other than a  
14 "captive real estate investment trust", ~~or~~

15 (2) any qualified real estate investment trust  
16 subsidiary under Section 856(i) of the Internal  
17 Revenue Code, other than a qualified REIT  
18 subsidiary of a ~~"captive captive~~ captive real estate  
19 investment ~~trust", or trust,~~

20 (3) any Listed Australian Property Trust (meaning an  
21 Australian unit trust registered as a "Managed  
22 Investment Scheme" under the Australian  
23 Corporations Act in which the principal class of  
24 units is listed on a recognized stock exchange in  
25

1 Australia and is regularly traded on an  
2 established securities market), or an entity  
3 organized as a trust, provided that a Listed  
4 Australian Property Trust owns or controls,  
5 directly or indirectly, seventy-five percent  
6 (75%) or more of the voting power or value of the  
7 beneficial interests or shares of such trust, or  
8 (4) any Qualified Foreign Entity, meaning a  
9 corporation, trust, association or partnership  
10 organized outside the laws of the United States  
11 and which satisfies the following criteria:  
12 (a) at least seventy-five percent (75%) of the  
13 entity's total asset value at the close of  
14 its taxable year is represented by real  
15 estate assets, as defined in Section  
16 856(c) (5) (B) of the Internal Revenue Code,  
17 thereby including shares or certificates of  
18 beneficial interest in any real estate  
19 investment trust, cash and cash equivalents,  
20 and U.S. Government securities,  
21 (b) the entity receives a dividend-paid  
22 deduction comparable to Section 561 of the  
23 Internal Revenue Code, or is exempt from  
24 entity level tax,

- 1 (c) the entity is required to distribute at  
2 least eighty-five percent (85%) of its  
3 taxable income, as computed in the  
4 jurisdiction in which it is organized, to  
5 the holders of its shares or certificates of  
6 beneficial interest on an annual basis,
- 7 (d) not more than ten percent (10%) of the  
8 voting power or value in such entity is held  
9 directly or indirectly or constructively by  
10 a single entity or individual, or the shares  
11 or beneficial interests of such entity are  
12 regularly traded on an established  
13 securities market, and
- 14 (e) the entity is organized in a country which  
15 has a tax treaty with the United States.

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

21 4. A real estate investment trust that does not become  
22 regularly traded on an established securities market within one (1)  
23 year of the date on which it first becomes a real estate investment  
24 trust shall be deemed not to have been regularly traded on an

1 established securities market, retroactive to the date it first  
2 became a real estate investment trust, and shall file an amended  
3 return reflecting such retroactive designation for any tax year or  
4 part year occurring during its initial year of status as a real  
5 estate investment trust. For purposes of this subsection, a real  
6 estate investment trust becomes a real estate investment trust on  
7 the first day it has both met the requirements of Section 856 of the  
8 Internal Revenue Code and has elected to be treated as a real estate  
9 investment trust pursuant to Section 856(c)(1) of the Internal  
10 Revenue Code.

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

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