

1 STATE OF OKLAHOMA

2 2nd Session of the 59th Legislature (2024)

3 COMMITTEE SUBSTITUTE
4 FOR ENGROSSED
5 HOUSE BILL NO. 4092

6 By: Caldwell (Trey) and West
7 (Rick) of the House

8 and

9 Jech of the Senate

10 COMMITTEE SUBSTITUTE

11 [revenue and taxation - banks - associations -
12 credit unions - institutions - deductions - loans -
13 terms - effective date]

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

16 SECTION 1. AMENDATORY 68 O.S. 2021, Section 2370, is
17 amended to read as follows:

18 Section 2370. A. For taxable years beginning after December
19 31, 2021, for the privilege of doing business within this state,
20 every state banking association, national banking association and
21 credit union organized under the laws of this state, located or
22 doing business within the limits of ~~the State of Oklahoma~~ this state
23 shall annually pay to this state a privilege tax at the rate of four
24

1 percent (4%) of the amount of the taxable income as provided in this
2 section.

3 B. 1. The privilege tax levied by this section shall be in
4 addition to ~~the Business Activity Tax levied in Section 1218 of this~~
5 ~~title and~~ the franchise tax levied in Article 12 of this title and
6 in lieu of the tax levied by Section 2355 of this title and in lieu
7 of all taxes levied by ~~the State of Oklahoma~~ this state, or any
8 subdivision thereof, upon the shares of stock or personal property
9 of any banking association or credit union subject to taxation under
10 this section.

11 2. Nothing in this section shall be construed to exempt the
12 real property of any banking associations or credit unions from
13 taxation to the same extent, according to its value, as other real
14 property is taxed. Nothing herein shall be construed to exempt an
15 association from payment of any fee or tax authorized or levied
16 pursuant to ~~the~~ banking laws.

17 3. Personal property which is subject to a lease agreement
18 between a bank or credit union, as lessor, and a nonbanking business
19 entity or individual, as lessee, is not exempt from personal
20 property ad valorem taxation. Provided further, that it shall be
21 the duty of the lessee of such personal property to return sworn
22 lists or schedules of ~~their~~ the lessee's taxable property within
23 each county to the county assessor of such county as provided in
24 ~~Sections 2433 and 2434 of this title~~ the Ad Valorem Tax Code.

1 C. Any tax levied under this section shall accrue on the last
2 day of the taxable year and be payable as provided in Section 2375
3 of this title. The accrual of such tax for ~~the first taxable year~~
4 ~~to which this act applies,~~ 1971 shall apply notwithstanding the
5 prior accrual of a tax in the same taxable year based upon the net
6 income of the next preceding taxable year; provided, however, any
7 additional deduction ~~ensuring~~ inuring to the benefit of the taxpayer
8 shall be deducted in accordance with the optional transitional
9 deduction procedures in Section 2354 of this title.

10 D. The basis of the tax shall be United States taxable income
11 as defined in paragraph 10 of Section 2353 of this title and any
12 adjustments thereto under the provisions of Section 2358 of this
13 title with the following adjustments:

14 1. There shall be deducted all interest income on obligations
15 of the United States government and agencies thereof not otherwise
16 exempted and all interest income on obligations of ~~the State of~~
17 ~~Oklahoma~~ this state or political subdivisions thereof, including
18 public trust authorities, not otherwise exempted under the laws of
19 this state; and

20 2. Expense deductions claimed in arriving at taxable income
21 under paragraph 10 of Section 2353 of this title shall be reduced by
22 an amount equal to fifty percent (50%) of excluded interest income
23 on obligations of the United States government or agencies thereof
24

1 and obligations of ~~the State of Oklahoma~~ this state or political
2 subdivisions thereof.

3 E. 1. Except as otherwise provided in paragraph 2 of this
4 subsection, before January 1, 2017, there shall be allowed a credit
5 against the tax levied in subsection A of this section in an amount
6 equal to the amount of taxable income received by a participating
7 financial institution as defined in Section 90.2 of Title 62 of the
8 Oklahoma Statutes pursuant to a loan made under the Rural Economic
9 Development Loan Act. Such credit shall be limited each year to
10 five percent (5%) of the amount of annual payroll certified by the
11 Oklahoma Rural Economic Development Loan Program Review Board
12 pursuant to the provisions of paragraph 3 of subsection B of Section
13 90.4 of Title 62 of the Oklahoma Statutes with respect to the loan
14 made by the participating financial institution and may be claimed
15 for any number of years necessary until the amount of total credits
16 claimed is equal to the total amount of taxable income received by
17 the participating financial institution pursuant to the loan. Any
18 credit allowed but not used in a taxable year may be carried forward
19 for a period not to exceed five (5) taxable years. In no event
20 shall a credit allowed pursuant to the provisions of this subsection
21 be transferable or refundable.

22 2. No credit otherwise authorized by the provisions of this
23 subsection may be claimed for any event, transaction, investment,
24 expenditure or other act occurring on or after July 1, 2010, for

1 which the credit would otherwise be allowable. The provisions of
2 this paragraph shall cease to be operative on July 1, 2012.
3 Beginning July 1, 2012, the credit authorized by this subsection may
4 be claimed for any event, transaction, investment, expenditure or
5 other act occurring on or after July 1, 2012, according to the
6 provisions of this subsection.

7 F. 1. For tax year 2025 and subsequent tax years, national
8 banking associations, state banks, trust companies, savings and loan
9 associations, and other lending institutions organized under the
10 laws of this state and whose main office is located in this state
11 shall be allowed as a deduction from net income, the net interest
12 income received from qualified agricultural real estate loans
13 attributed to this state, net interest income received from
14 agricultural operating loans attributed to this state, and net
15 interest income received from single-family residence loans
16 attributed to this state, as defined in this subsection, to the
17 extent such interest is included in the Oklahoma taxable income of a
18 corporation.

19 2. The deduction authorized by this subsection may be claimed
20 for interest earned on eligible loans made after December 31, 2024,
21 and before January 1, 2028.

22 3. Financial institutions with Oklahoma-based deposits of more
23 than Seven Hundred Fifty Million Dollars (\$750,000,000.00) shall be
24 entitled to no more than Five Hundred Thousand Dollars (\$500,000.00)

1 per institution in deductible interest earned over a three-year
2 period under the provisions of this section. Financial institutions
3 with Oklahoma-based deposits of Seven Hundred Fifty Million Dollars
4 (\$750,000,000.00) or less shall be entitled to no more than Two
5 Hundred Fifty Thousand Dollars (\$250,000.00) per institution in
6 deductible interest earned over a three-year period under the
7 provisions of this section.

8 4. For tax year 2027 and subsequent tax years, the total amount
9 of deductions authorized by this subsection shall be adjusted
10 annually to limit the annual amount of deductions to Five Million
11 Dollars (\$5,000,000.00). The Oklahoma Tax Commission shall annually
12 calculate and publish a percentage by which the deductions
13 authorized by this subsection shall be reduced so the total amount
14 of deductions does not exceed Five Million Dollars (\$5,000,000.00)
15 per tax year. The formula to be used for the percentage adjustment
16 shall be Five Million Dollars (\$5,000,000.00) divided by the amount
17 of deductions claimed in the second preceding tax year. In the
18 event the total deductions authorized by this subsection exceed Five
19 Million Dollars (\$5,000,000.00) in any tax year, the Commission
20 shall permit any excess, but shall factor such excess into the
21 percentage adjustment formula for subsequent tax years.

22 5. As used in this subsection:

23 a. "interest" means interest on an indebtedness
24 attributed to this state and incurred in the ordinary

1 course of the active conduct of any business and
2 interest on indebtedness incurred that is secured by a
3 single family residence,

4 b. "qualified agricultural real estate loans" means loans
5 made on real property that are substantially used for
6 the production of one or more agricultural products
7 and:

8 (1) have maturities of not less than five (5) years
9 and not more than forty (40) years,

10 (2) are secured by a first lien interest in real
11 estate, except that the loans may be secured by a
12 second lien interest if the institution also
13 holds the first lien on the real property, and

14 (3) have an outstanding loan balance, which when
15 made, is less than eighty-five percent (85%) of
16 the appraised value of the real estate, except
17 loans for which private mortgage insurance is
18 obtained may exceed eighty-five percent (85%) of
19 the appraised value of the real estate to the
20 extent a loan amount in excess of eighty-five
21 percent (85%) is covered by such insurance,

22 c. "agriculture operating loans" means loans made for the
23 purpose of:

- 1 (1) the purchase, care, feeding, or refinancing of
2 livestock or poultry,
3 (2) purchasing seed, and
4 (3) the purchase and maintenance of equipment, which
5 shall include, but is not limited to, fences,
6 barns, sheds, tractors, combines, and vehicles,

7 d. "single-family residence" means a residence that:

- 8 (1) is the principal residence of its occupant,
9 (2) is located in this state, in a rural area that is
10 not within the city limits of a town with a
11 population of five thousand (5,000) or more as
12 determined according to the most recent Federal
13 Decennial Census for which data is available, and
14 (3) is purchased or improved with the proceeds of the
15 loan,

16 e. "net interest income received from qualified
17 agricultural real estate loans attributed to this
18 state" means the product of the ratio of the interest
19 income earned on qualified agricultural real estate
20 loans over total interest income earned, in relation
21 to the net income of the national banking association,
22 state bank, trust company, savings and loan
23 association, or other lending institution without
24 regard to this deduction,

1 f. "net interest income received from agricultural
2 operating loans attributed to this state" means the
3 product of the ratio of the interest income earned on
4 agricultural operating loans over total interest
5 income earned, in relation to the net income of the
6 national banking association, state bank, trust
7 company, savings and loan association, or other
8 lending institution without regard to this deduction,
9 and

10 g. "net interest income received from single-family
11 residence loans attributed to this state" means the
12 product of the ratio of the interest income earned on
13 single-family residence loans over total interest
14 income earned, in relation to the net income of the
15 national banking association, state bank, trust
16 company, savings and loan association, or other
17 lending institution without regard to this deduction.

18 SECTION 2. This act shall become effective November 1, 2024.

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