

1 **HOUSE OF REPRESENTATIVES - FLOOR VERSION**

2 STATE OF OKLAHOMA

3 2nd Session of the 59th Legislature (2024)

4 COMMITTEE SUBSTITUTE
5 FOR
6 HOUSE BILL NO. 4092

 By: Caldwell (Trey)

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8 COMMITTEE SUBSTITUTE

9 [revenue and taxation - banks - associations -
10 credit unions - associations - institutions -
11 deductions - loans - terms - 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 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 shall
23 annually pay to this state a privilege tax at the rate of four
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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, or any subdivision
8 thereof, upon the shares of stock or personal property of any
9 banking association or credit union subject to taxation under this
10 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 taxable property within each county to
23 the county assessor of such county as provided in Sections 2433 and
24 2434 of this title.

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, shall apply notwithstanding the prior
5 accrual of a tax in the same taxable year based upon the net income
6 of the next preceding taxable year; provided, however, any
7 additional deduction enuring to the benefit of the taxpayer shall be
8 deducted in accordance with the optional transitional deduction
9 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 or political subdivisions thereof, including public trust
18 authorities, not otherwise exempted under the laws of this state;
19 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
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1 and obligations of the State of Oklahoma or political subdivisions
2 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. For all taxable years commencing after December 31, 2023,
8 national banking associations, state banks, trust companies, savings
9 and loan associations, and other lending institutions shall be
10 allowed as a deduction from net income, as defined in this
11 subsection, the net interest income received from qualified
12 agricultural real estate loans attributed to Oklahoma, net interest
13 income received from agriculture operating loans attributed to
14 Oklahoma, and the net interest income received from single family
15 residence loans attributed to Oklahoma, to the extent such interest
16 is included in the Oklahoma taxable income of a corporation.

17 As used in this subsection:

18 1. "Interest" means interest on an indebtedness attributed to
19 Oklahoma and incurred in the ordinary course of the active conduct
20 of any business and interest on indebtedness incurred that is
21 secured by a single family residence;

22 2. "Qualified agricultural real estate loans" means loans made
23 on real property that are substantially used for the production of
24 one or more agricultural products and:

- 1 a. have maturities of not less than five (5) years and
2 not more than forty (40) years,
- 3 b. are secured by a first lien interest in real estate,
4 except that the loans may be secured by a second lien
5 interest if the institution also holds the first lien
6 on the real property, and
- 7 c. have an outstanding loan balance, which when made, is
8 less than eighty-five (85%) percent of the appraised
9 value of the real estate, except loans for which
10 private mortgage insurance is obtained may exceed
11 eighty-five (85%) percent of the appraised value of
12 the real estate to the extent a loan amount in excess
13 of eighty-five (85%) percent is covered by such
14 insurance;

15 3. "Agriculture Operating Loans" means loans made for the
16 purpose of:

- 17 a. the purchase, care, feeding, or refinancing of
18 livestock or poultry,
- 19 b. purchasing seed, and
- 20 c. the purchase and maintenance of equipment, which shall
21 include, but is not limited to, fences, barns, sheds,
22 tractors, combines, and vehicles;

23 4. "Single family residence" means a residence that:

- 24 a. is the principal residence of its occupant,

- 1 b. is located in Oklahoma, in a rural area that is not
2 within the city limits of a town with a population of
3 five thousand (5,000) or more as determined by the
4 most recent census for which data is available, and
5 c. is purchased or improved with the proceeds of the
6 loan;

7 5. "Net interest income received from qualified agricultural
8 real estate loans attributed to Oklahoma" means the product of the
9 ratio of the interest income earned on qualified agricultural real
10 estate loans over total interest income earned, in relation to the
11 net income of the national banking association, state bank, trust
12 company, savings and loan association, or other lending institution
13 without regard to this deduction;

14 6. "Net interest income received from agricultural operating
15 loans attributed to Oklahoma" means the product of the ratio of the
16 interest income earned on agricultural operating loans over total
17 interest income earned, in relation to the net income of the
18 national banking association, state bank, trust company, savings and
19 loan association, or other lending institution without regard to
20 this deduction; and

21 7. "Net interest income received from single family residence
22 loans attributed to Oklahoma" means the product of the ratio of the
23 interest income earned on single family residence loans over total
24 interest income earned, in relation to the net income of the

1 national banking association, state bank, trust company, savings and
2 loan association, or other lending institution without regard to
3 this deduction.

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

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6 COMMITTEE REPORT BY: COMMITTEE ON APPROPRIATIONS AND BUDGET, dated
7 02/29/2024 - DO PASS, As Amended.
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