

1 STATE OF OKLAHOMA

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

3 SENATE BILL 1348

By: Murdock

4  
5  
6 AS INTRODUCED

7 An Act relating to income tax; amending 68 O.S. 2021,  
8 Section 2358, as last amended by Section 1, Chapter  
9 377, O.S.L. 2022 (68 O.S. Supp. 2023, Section 2358),  
10 which relates to adjustments; eliminating limitation  
11 on itemization of wagering losses for certain tax  
12 years; updating statutory language; and providing an  
13 effective date.

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

15 SECTION 1. AMENDATORY 68 O.S. 2021, Section 2358, as  
16 last amended by Section 1, Chapter 377, O.S.L. 2022 (68 O.S. Supp.  
17 2023, Section 2358), is amended to read as follows:

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

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

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

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

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

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

21           b. For carryovers and carrybacks to taxable years  
22               beginning after December 31, 1980, the amount of any  
23               net operating loss deduction allowed for the taxable  
24               year shall be an amount equal to the aggregate of the

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

1 with "Oklahoma net operating loss" and "Oklahoma  
2 taxable income".

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

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

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

18 (1) where such property has acquired a nonunitary  
19 business or commercial situs apart from the  
20 domicile of the taxpayer such income shall be  
21 allocated in accordance with such business or  
22 commercial situs; interest income from  
23 investments held to generate working capital for  
24 a unitary business enterprise shall be included

1 in apportionable income; a resident trust or  
2 resident estate shall be treated as having a  
3 separate commercial or business situs insofar as  
4 undistributed income is concerned, but shall not  
5 be treated as having a separate commercial or  
6 business situs insofar as distributed income is  
7 concerned,

8 (2) for taxable years beginning after December 31,  
9 2003, capital or ordinary gains or losses from  
10 the sale of an ownership interest in a publicly  
11 traded partnership, as defined by Section 7704(b)  
12 of the Internal Revenue Code, shall be allocated  
13 to this state in the ratio of the original cost  
14 of such partnership's tangible property in this  
15 state to the original cost of such partnership's  
16 tangible property everywhere, as determined at  
17 the time of the sale; if more than fifty percent  
18 (50%) of the value of the partnership's assets  
19 consists of intangible assets, capital or  
20 ordinary gains or losses from the sale of an  
21 ownership interest in the partnership shall be  
22 allocated to this state in accordance with the  
23 sales factor of the partnership for its first  
24 full tax period immediately preceding its tax

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

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

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

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

21 (1) sales having a situs without this state, shipped  
22 directly to a point from without the state to a  
23 purchaser within the state, commonly known as  
24 interstate sales,

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

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

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

22 e. In the case of insurance companies, Oklahoma taxable  
23 income shall be taxable income of the taxpayer for  
24 federal tax purposes, as adjusted for the adjustments

1 provided pursuant to the provisions of paragraphs 1  
2 and 2 of this subsection, apportioned as follows:

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

21 (2) if the principal source of premiums written by an  
22 insurance company consists of premiums for  
23 reinsurance accepted by it, the taxable income of  
24 such company shall be apportioned to this state



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

1                   the total direct premiums written by each such  
2                   ceding company for the taxable year.

3           5. The net income or loss remaining after the separate  
4 allocation in paragraph 4 of this subsection, being that which is  
5 derived from a unitary business enterprise, shall be apportioned to  
6 this state on the basis of the arithmetical average of three factors  
7 consisting of property, payroll and sales or gross revenue  
8 enumerated as subparagraphs a, b and c of this paragraph. Net  
9 income or loss as used in this paragraph includes that derived from  
10 patent or copyright royalties, purchase discounts, and interest on  
11 accounts receivable relating to or arising from a business activity,  
12 the income from which is apportioned pursuant to this subsection,  
13 including the sale or other disposition of such property and any  
14 other property used in the unitary enterprise. Deductions used in  
15 computing such net income or loss shall not include taxes based on  
16 or measured by income. Provided, for corporations whose property  
17 for purposes of the tax imposed by Section 2355 of this title has an  
18 initial investment cost equaling or exceeding Two Hundred Million  
19 Dollars (\$200,000,000.00) and such investment is made on or after  
20 July 1, 1997, or for corporations which expand their property or  
21 facilities in this state and such expansion has an investment cost  
22 equaling or exceeding Two Hundred Million Dollars (\$200,000,000.00)  
23 over a period not to exceed three (3) years, and such expansion is  
24 commenced on or after January 1, 2000, the three factors shall be

1 apportioned with property and payroll, each comprising twenty-five  
2 percent (25%) of the apportionment factor and sales comprising fifty  
3 percent (50%) of the apportionment factor. The apportionment  
4 factors shall be computed as follows:

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

12 (1) Property, the income from which is separately  
13 allocated in paragraph 4 of this subsection,  
14 shall not be included in determining this  
15 fraction. The numerator of the fraction shall  
16 include a portion of the investment in  
17 transportation and other equipment having no  
18 fixed situs, such as rolling stock, buses, trucks  
19 and trailers, including machinery and equipment  
20 carried thereon, airplanes, salespersons'  
21 automobiles and other similar equipment, in the  
22 proportion that miles traveled in ~~Oklahoma~~ this  
23 state by such equipment bears to total miles  
24 traveled,

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

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

15 b. The payroll factor is a fraction, the numerator of  
16 which is the total compensation for services rendered  
17 in the state during the tax period, and the  
18 denominator of which is the total compensation for  
19 services rendered everywhere during the tax period.  
20 "Compensation", as used in this subsection, means  
21 those paid-for services to the extent related to the  
22 unitary business but does not include officers'  
23 salaries, wages and other compensation.  
24

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

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

17 c. The sales factor is a fraction, the numerator of which  
18 is the total sales or gross revenue of the taxpayer in  
19 this state during the tax period, and the denominator  
20 of which is the total sales or gross revenue of the  
21 taxpayer everywhere during the tax period. "Sales",  
22 as used in this subsection, does not include sales or  
23 gross revenue which are separately allocated in  
24 paragraph 4 of this subsection.

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

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

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

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

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

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

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



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

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

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

9 For purposes of this paragraph:

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

1 commodities, or the production of milk at a dairy  
2 operation,

3 (2) transporting the agricultural commodities or  
4 product before, during or after the processing,  
5 or

6 (3) packaging or otherwise preparing the product for  
7 sale or shipment.

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

- 15 a. Sixty Thousand Dollars (\$60,000.00), or  
16 b. the loss properly shown on Schedule F of the Internal  
17 Revenue Service Form 1040 reduced by one-half (1/2) of  
18 the income from all other sources other than reflected  
19 on Schedule F.

20 8. In taxable years beginning after December 31, 1995, all  
21 qualified wages equal to the federal income tax credit set forth in  
22 26 U.S.C.A., Section 45A, shall be deducted from taxable income.  
23 The deduction allowed pursuant to this paragraph shall only be  
24 permitted for the tax years in which the federal tax credit pursuant

1 to 26 U.S.C.A., Section 45A, is allowed. For purposes of this  
2 paragraph, "qualified wages" means those wages used to calculate the  
3 federal credit pursuant to 26 U.S.C.A., Section 45A.

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

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

20 11. For taxable years beginning on or after January 1, 2019,  
21 there shall be subtracted from Oklahoma taxable income or adjusted  
22 gross income any item of income or gain, and there shall be added to  
23 Oklahoma taxable income or adjusted gross income any item of loss or  
24 deduction that in the absence of an election pursuant to the

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

18 B. 1. The taxable income of any corporation shall be further  
19 adjusted to arrive at Oklahoma taxable income, except those  
20 corporations electing treatment as provided in subchapter S of the  
21 Internal Revenue Code, 26 U.S.C., Section 1361 et seq., and Section  
22 2365 of this title, deductions pursuant to the provisions of the  
23 Accelerated Cost Recovery System as defined and allowed in the  
24 Economic Recovery Tax Act of 1981, Public Law 97-34, 26 U.S.C.,

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

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

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

1 that reported to the Internal Revenue Service and that reported to  
2 ~~Oklahoma~~ this state.

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

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

23 2. For purposes of this subsection:  
24  
25

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

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

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

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

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

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

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

23 D. 1. For taxable years beginning after December 31, 2005, the  
24 taxable income of any corporation, estate or trust, shall be further  
25



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

7 2. As used in this subsection:

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

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

20 (2) the sale of stock or on the sale of an ownership  
21 interest in an Oklahoma company, limited  
22 liability company, or partnership where such  
23 stock or ownership interest has been directly or  
24 indirectly owned by the corporation, estate or  
25

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

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

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

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

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

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

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

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

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

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

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

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

21 b. There shall be allowed an additional exemption of One  
22 Thousand Dollars (\$1,000.00) for each taxpayer or  
23 spouse who is blind at the close of the tax year. For  
24 purposes of this subparagraph, an individual is blind  
25

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

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

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

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

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

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

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

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

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

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

- 1 (2) Four Thousand One Hundred Twenty-five Dollars  
2 (\$4,125.00) for a head of household; or  
3 (3) Two Thousand Seven Hundred Fifty Dollars  
4 (\$2,750.00), if the filing status is single or  
5 married filing separate.

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

- 13 (1) Six Thousand Five Hundred Dollars (\$6,500.00), if  
14 the filing status is married filing joint or  
15 qualifying widow, or  
16 (2) Four Thousand Eight Hundred Seventy-five Dollars  
17 (\$4,875.00) for a head of household, or  
18 (3) Three Thousand Two Hundred Fifty Dollars  
19 (\$3,250.00), if the filing status is single or  
20 married filing separate.

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



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

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

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

- 15 f. For taxable years beginning on or after January 1,  
16 2010, and ending on December 31, 2016, in the case of  
17 individuals who use the standard deduction in  
18 determining taxable income, there shall be added or  
19 deducted, as the case may be, the difference necessary  
20 to allow a standard deduction equal to the standard  
21 deduction allowed by the Internal Revenue Code, based  
22 upon the amount and filing status prescribed by such  
23 Code for purposes of filing federal individual income  
24 tax returns.

1 g. For taxable years beginning on or after January 1,  
2 2017, in the case of individuals who use the standard  
3 deduction in determining taxable income, there shall  
4 be added or deducted, as the case may be, the  
5 difference necessary to allow a standard deduction in  
6 lieu of the standard deduction allowed by the Internal  
7 Revenue Code, as follows:

8 (1) Six Thousand Three Hundred Fifty Dollars  
9 (\$6,350.00) for single or married filing  
10 separately,

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

14 (3) Nine Thousand Three Hundred Fifty Dollars  
15 (\$9,350.00) for head of household.

16 3. a. In the case of resident and part-year resident  
17 individuals having adjusted gross income from sources  
18 both within and without the state, the itemized or  
19 standard deductions and personal exemptions shall be  
20 reduced to an amount which is the same portion of the  
21 total thereof as Oklahoma adjusted gross income is of  
22 adjusted gross income. To the extent itemized  
23 deductions include allowable moving expense, proration  
24 of moving expense shall not be required or permitted

1 but allowable moving expense shall be fully deductible  
2 for those taxpayers moving within or into ~~Oklahoma~~  
3 this state and no part of moving expense shall be  
4 deductible for those taxpayers moving without or out  
5 of ~~Oklahoma~~ this state. All other itemized or  
6 standard deductions and personal exemptions shall be  
7 subject to proration as provided by law.

8 b. For taxable years beginning on or after January 1,  
9 2018, the net amount of itemized deductions allowable  
10 on an Oklahoma income tax return, subject to the  
11 provisions of paragraph 24 of this subsection, shall  
12 not exceed Seventeen Thousand Dollars (\$17,000.00).  
13 For purposes of this subparagraph, charitable  
14 contributions and medical expenses deductible for  
15 federal income tax purposes shall be excluded from the  
16 amount of Seventeen Thousand Dollars (\$17,000.00) as  
17 specified by this subparagraph. Provided further, for  
18 tax year 2024 and subsequent tax years, wagering  
19 losses which are deductible pursuant to the provisions  
20 of 26 U.S.C., Section 165(d) shall be excluded from  
21 the amount of Seventeen Thousand Dollars (\$17,000.00)  
22 as specified by this subparagraph.

23 4. A resident individual with a physical disability  
24 constituting a substantial handicap to employment may deduct from  
25

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

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

17 b. On or after July 1, 2010, one hundred percent (100%)  
18 of the income received by any person from the United  
19 States as salary or compensation in any form, other  
20 than retirement benefits, as a member of any component  
21 of the Armed Forces of the United States shall be  
22 deducted from taxable income.

23 c. Whenever the filing of a timely income tax return by a  
24 member of the Armed Forces of the United States is  
25

1 made impracticable or impossible of accomplishment by  
2 reason of:

3 (1) absence from the United States, which term  
4 includes only the states and the District of  
5 Columbia;

6 (2) absence from ~~the State of Oklahoma~~ this state  
7 while on active duty; or

8 (3) confinement in a hospital within the United  
9 States for treatment of wounds, injuries or  
10 disease,

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

15 (a) Such individual shall return to the United  
16 States if the extension is granted pursuant  
17 to subparagraph a of this paragraph, return  
18 to ~~the State of Oklahoma~~ this state if the  
19 extension is granted pursuant to  
20 subparagraph b of this paragraph or be  
21 discharged from such hospital if the  
22 extension is granted pursuant to  
23 subparagraph c of this paragraph; or  
24

1 (b) An executor, administrator, or conservator  
2 of the estate of the taxpayer is appointed,  
3 whichever event occurs the earliest.

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

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

20 7. a. An individual taxpayer, whether resident or  
21 nonresident, may deduct an amount equal to the federal  
22 income taxes paid by the taxpayer during the taxable  
23 year.

1           b. Federal taxes as described in subparagraph a of this  
2 paragraph shall be deductible by any individual  
3 taxpayer, whether resident or nonresident, only to the  
4 extent they relate to income subject to taxation  
5 pursuant to the provisions of the Oklahoma Income Tax  
6 Act. The maximum amount allowable in the preceding  
7 paragraph shall be prorated on the ratio of the  
8 Oklahoma adjusted gross income to federal adjusted  
9 gross income.

10          c. For the purpose of this paragraph, "federal income  
11 taxes paid" shall mean federal income taxes, surtaxes  
12 imposed on incomes or excess profits taxes, as though  
13 the taxpayer was on the accrual basis. In determining  
14 the amount of deduction for federal income taxes for  
15 tax year 2001, the amount of the deduction shall not  
16 be adjusted by the amount of any accelerated ten  
17 percent (10%) tax rate bracket credit or advanced  
18 refund of the credit received during the tax year  
19 provided pursuant to the federal Economic Growth and  
20 Tax Relief Reconciliation Act of 2001, P.L. No. 107-  
21 16, and the advanced refund of such credit shall not  
22 be subject to taxation.

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

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

21           9.    In taxable years beginning after December 31, 1984, Social  
22 Security benefits received by an individual shall be exempt from  
23 taxable income, to the extent such benefits are included in the  
24



1 federal adjusted gross income pursuant to the provisions of Section  
2 86 of the Internal Revenue Code, 26 U.S.C., Section 86.

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

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

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

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

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

12 (1) the adoption of a minor, or

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

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

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

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

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 nonrecurring adoption expenses shall not include  
14 attorney fees incurred for the purpose of litigating a  
15 contested adoption, from and after the point of the  
16 initiation of the contest, costs associated with  
17 physical remodeling, renovation and alteration of the  
18 adoptive parents' home or property, except for a  
19 special needs child as 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  
25

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 the 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  
25

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~~ this state that  
8 has been directly or indirectly owned by the  
9 individual taxpayer for a holding period of at  
10 least five (5) years prior to the date of the  
11 transaction from which such net capital gains  
12 arise,

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

22 (3) the sale of real property, tangible personal  
23 property or intangible personal property located  
24 within ~~Oklahoma~~ this state as part of the sale of  
25



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

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

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

23 d. "direct" means the individual taxpayer directly owns  
24 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~~ this state, the deduction described in  
8 this 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~~ this state 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  
25

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  
23  
24  
25

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"~~ captive  
15 real estate investment trust, or

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

21 (3) any ~~Listed Australian Property Trust~~ listed  
22 Australian property trust (meaning an Australian  
23 unit trust registered as a ~~"Managed Investment~~  
24 ~~Scheme"~~ "managed investment scheme" under the

1 Australian Corporations Act 2001 in which the  
2 principal class of units is listed on a  
3 recognized stock exchange in Australia and is  
4 regularly traded on an established securities  
5 market), or an entity organized as a trust,  
6 provided that a ~~Listed Australian Property Trust~~  
7 listed Australian property trust owns or  
8 controls, directly or indirectly, seventy-five  
9 percent (75%) or more of the voting power or  
10 value of the beneficial interests or shares of  
11 such trust, or

12 (4) any ~~Qualified Foreign Entity~~ qualified foreign  
13 entity, meaning a corporation, trust, association  
14 or partnership organized outside the laws of the  
15 United States and which satisfies the following  
16 criteria:

17 (a) at least seventy-five percent (75%) of the  
18 entity's total asset value at the close of  
19 its taxable year is represented by real  
20 estate assets, as defined in Section  
21 856(c) (5) (B) of the Internal Revenue Code,  
22 thereby including shares or certificates of  
23 beneficial interest in any real estate  
24

1 investment trust, cash and cash equivalents,  
2 and U.S. Government securities,

3 (b) the entity receives a dividend-paid  
4 deduction comparable to Section 561 of the  
5 Internal Revenue Code, or is exempt from  
6 entity level tax,

7 (c) the entity is required to distribute at  
8 least eighty-five percent (85%) of its  
9 taxable income, as computed in the  
10 jurisdiction in which it is organized, to  
11 the holders of its shares or certificates of  
12 beneficial interest on an annual basis,

13 (d) not more than ten percent (10%) of the  
14 voting power or value in such entity is held  
15 directly or indirectly or constructively by  
16 a single entity or individual, or the shares  
17 or beneficial interests of such entity are  
18 regularly traded on an established  
19 securities market, and

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

22 3. For purposes of this subsection, the constructive ownership  
23 rules of Section 318(a) of the Internal Revenue Code, as modified by  
24 Section 856(d) (5) of the Internal Revenue Code, shall apply in

1 determining the ownership of stock, assets, or net profits of any  
2 person.

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

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

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