

**COMMITTEE AMENDMENT**  
HOUSE OF REPRESENTATIVES  
State of Oklahoma

SPEAKER:

CHAIR:

I move to amend HB2740 \_\_\_\_\_  
Of the printed Bill  
Page \_\_\_\_\_ Section \_\_\_\_\_ Lines \_\_\_\_\_  
Of the Engrossed Bill

By deleting the content of the entire measure, and by inserting in lieu thereof the following language:

**AMEND TITLE TO CONFORM TO AMENDMENTS**

Adopted: \_\_\_\_\_

Amendment submitted by: Gerrid Kendrix \_\_\_\_\_

\_\_\_\_\_  
Reading Clerk

STATE OF OKLAHOMA

1st Session of the 60th Legislature (2025)

PROPOSED SUBCOMMITTEE  
SUBSTITUTE  
FOR  
HOUSE BILL NO. 2740

By: Kendrix

PROPOSED SUBCOMMITTEE SUBSTITUTE

An Act relating to revenue and taxation; amending 68 O.S. 2021, Section 2355, as last amended by Section 1, Chapter 27, 1st Extraordinary Session, O.S.L. 2023 (68 O.S. Supp. 2024, Section 2355), which relates to income tax rates; modifying rates of individual income tax; amending 68 O.S. 2021, Section 2358, as last amended by Section 2, Chapter 277, O.S.L. 2024 (68 O.S. Supp. 2024, Section 2358), which relates to Oklahoma taxable income and Oklahoma adjusted gross income; modifying provisions related to personal exemptions; modifying standard deduction amounts; and providing an effective date.

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

1 SECTION 1. AMENDATORY 68 O.S. 2021, Section 2355, as  
2 last amended by Section 1, Chapter 27, 1st Extraordinary Session,  
3 O.S.L. 2023 (68 O.S. Supp. 2024, Section 2355), is amended to read  
4 as follows:

5 Section 2355. A. Individuals. For all taxable years beginning  
6 after December 31, 1998, and before January 1, 2006, a tax is hereby  
7 imposed upon the Oklahoma taxable income of every resident or  
8 nonresident individual, which tax shall be computed at the option of  
9 the taxpayer under one of the two following methods:

10 1. METHOD 1.

11 a. Single individuals and married individuals filing  
12 separately not deducting federal income tax:

13 (1) 1/2% tax on first \$1,000.00 or part thereof,

14 (2) 1% tax on next \$1,500.00 or part thereof,

15 (3) 2% tax on next \$1,250.00 or part thereof,

16 (4) 3% tax on next \$1,150.00 or part thereof,

17 (5) 4% tax on next \$1,300.00 or part thereof,

18 (6) 5% tax on next \$1,500.00 or part thereof,

19 (7) 6% tax on next \$2,300.00 or part thereof, and

20 (8) (a) for taxable years beginning after December

21 31, 1998, and before January 1, 2002, 6.75%

22 tax on the remainder,  
23  
24

1 (b) for taxable years beginning on or after  
2 January 1, 2002, and before January 1, 2004,  
3 7% tax on the remainder, and

4 (c) for taxable years beginning on or after  
5 January 1, 2004, 6.65% tax on the remainder.

6 b. Married individuals filing jointly and surviving  
7 spouse to the extent and in the manner that a  
8 surviving spouse is permitted to file a joint return  
9 under the provisions of the Internal Revenue Code and  
10 heads of households as defined in the Internal Revenue  
11 Code not deducting federal income tax:

12 (1) 1/2% tax on first \$2,000.00 or part thereof,

13 (2) 1% tax on next \$3,000.00 or part thereof,

14 (3) 2% tax on next \$2,500.00 or part thereof,

15 (4) 3% tax on next \$2,300.00 or part thereof,

16 (5) 4% tax on next \$2,400.00 or part thereof,

17 (6) 5% tax on next \$2,800.00 or part thereof,

18 (7) 6% tax on next \$6,000.00 or part thereof, and

19 (8) (a) for taxable years beginning after December  
20 31, 1998, and before January 1, 2002, 6.75%  
21 tax on the remainder,

22 (b) for taxable years beginning on or after  
23 January 1, 2002, and before January 1, 2004,  
24 7% tax on the remainder, and

1 (c) for taxable years beginning on or after  
2 January 1, 2004, 6.65% tax on the remainder.

3 2. METHOD 2.

4 a. Single individuals and married individuals filing  
5 separately deducting federal income tax:

- 6 (1) 1/2% tax on first \$1,000.00 or part thereof,  
7 (2) 1% tax on next \$1,500.00 or part thereof,  
8 (3) 2% tax on next \$1,250.00 or part thereof,  
9 (4) 3% tax on next \$1,150.00 or part thereof,  
10 (5) 4% tax on next \$1,200.00 or part thereof,  
11 (6) 5% tax on next \$1,400.00 or part thereof,  
12 (7) 6% tax on next \$1,500.00 or part thereof,  
13 (8) 7% tax on next \$1,500.00 or part thereof,  
14 (9) 8% tax on next \$2,000.00 or part thereof,  
15 (10) 9% tax on next \$3,500.00 or part thereof, and  
16 (11) 10% tax on the remainder.

17 b. Married individuals filing jointly and surviving  
18 spouse to the extent and in the manner that a  
19 surviving spouse is permitted to file a joint return  
20 under the provisions of the Internal Revenue Code and  
21 heads of households as defined in the Internal Revenue  
22 Code deducting federal income tax:

- 23 (1) 1/2% tax on the first \$2,000.00 or part thereof,  
24 (2) 1% tax on the next \$3,000.00 or part thereof,

- 1 (3) 2% tax on the next \$2,500.00 or part thereof,
- 2 (4) 3% tax on the next \$1,400.00 or part thereof,
- 3 (5) 4% tax on the next \$1,500.00 or part thereof,
- 4 (6) 5% tax on the next \$1,600.00 or part thereof,
- 5 (7) 6% tax on the next \$1,250.00 or part thereof,
- 6 (8) 7% tax on the next \$1,750.00 or part thereof,
- 7 (9) 8% tax on the next \$3,000.00 or part thereof,
- 8 (10) 9% tax on the next \$6,000.00 or part thereof, and
- 9 (11) 10% tax on the remainder.

10 B. Individuals. For all taxable years beginning on or after  
11 January 1, 2008, and ending any tax year which begins after December  
12 31, 2015, for which the determination required pursuant to Sections  
13 4 and 5 of this act is made by the State Board of Equalization, a  
14 tax is hereby imposed upon the Oklahoma taxable income of every  
15 resident or nonresident individual, which tax shall be computed as  
16 follows:

17 1. Single individuals and married individuals filing  
18 separately:

- 19 (a) 1/2% tax on first \$1,000.00 or part thereof,
- 20 (b) 1% tax on next \$1,500.00 or part thereof,
- 21 (c) 2% tax on next \$1,250.00 or part thereof,
- 22 (d) 3% tax on next \$1,150.00 or part thereof,
- 23 (e) 4% tax on next \$2,300.00 or part thereof,
- 24 (f) 5% tax on next \$1,500.00 or part thereof,

- 1 (g) 5.50% tax on the remainder for the 2008 tax year and  
2 any subsequent tax year unless the rate prescribed by  
3 subparagraph (h) of this paragraph is in effect, and  
4 (h) 5.25% tax on the remainder for the 2009 and subsequent  
5 tax years. The decrease in the top marginal  
6 individual income tax rate otherwise authorized by  
7 this subparagraph shall be contingent upon the  
8 determination required to be made by the State Board  
9 of Equalization pursuant to Section 2355.1A of this  
10 title.

11 2. Married individuals filing jointly and surviving spouse to  
12 the extent and in the manner that a surviving spouse is permitted to  
13 file a joint return under the provisions of the Internal Revenue  
14 Code and heads of households as defined in the Internal Revenue  
15 Code:

- 16 (a) 1/2% tax on first \$2,000.00 or part thereof,  
17 (b) 1% tax on next \$3,000.00 or part thereof,  
18 (c) 2% tax on next \$2,500.00 or part thereof,  
19 (d) 3% tax on next \$2,300.00 or part thereof,  
20 (e) 4% tax on next \$2,400.00 or part thereof,  
21 (f) 5% tax on next \$2,800.00 or part thereof,  
22 (g) 5.50% tax on the remainder for the 2008 tax year and  
23 any subsequent tax year unless the rate prescribed by  
24 subparagraph (h) of this paragraph is in effect, and

1 (h) 5.25% tax on the remainder for the 2009 and subsequent  
2 tax years. The decrease in the top marginal  
3 individual income tax rate otherwise authorized by  
4 this subparagraph shall be contingent upon the  
5 determination required to be made by the State Board  
6 of Equalization pursuant to Section 2355.1A of this  
7 title.

8 C. Individuals. For all taxable years beginning on or after  
9 January 1, ~~2024~~ 2026, a tax is hereby imposed upon the Oklahoma  
10 taxable income of every resident or nonresident individual, which  
11 tax shall be computed as follows:

12 1. Single individuals and married individuals filing  
13 separately:

14 ~~(a) 0.25% tax on first \$1,000.00 or part thereof,~~

15 ~~(b) 0.75% tax on next \$1,500.00 or part thereof,~~

16 ~~(c) 1.75% tax on next \$1,250.00 or part thereof,~~

17 ~~(d) 2.75% tax on next \$1,150.00 or part thereof,~~

18 ~~(e) 3.75% tax on next \$2,300.00 or part thereof,~~

19 ~~(f) 4.75% tax on the remainder~~ all Oklahoma taxable  
20 income.

21 2. Married individuals filing jointly and surviving spouse to  
22 the extent and in the manner that a surviving spouse is permitted to  
23 file a joint return under the provisions of the Internal Revenue  
24



1 Code and heads of households as defined in the Internal Revenue  
2 Code:

- 3 ~~(a) 0.25% tax on first \$2,000.00 or part thereof,~~
- 4 ~~(b) 0.75% tax on next \$3,000.00 or part thereof,~~
- 5 ~~(c) 1.75% tax on next \$2,500.00 or part thereof,~~
- 6 ~~(d) 2.75% tax on next \$2,300.00 or part thereof,~~
- 7 ~~(e) 3.75% tax on next \$4,600.00 or part thereof,~~
- 8 (f) 4.75% tax on the remainder all Oklahoma taxable  
9 income.

10 No deduction for federal income taxes paid shall be allowed to  
11 any taxpayer to arrive at taxable income.

12 D. Nonresident aliens. In lieu of the rates set forth in  
13 subsection A above, there shall be imposed on nonresident aliens, as  
14 defined in the Internal Revenue Code, a tax of eight percent (8%)  
15 instead of thirty percent (30%) as used in the Internal Revenue  
16 Code, with respect to the Oklahoma taxable income of such  
17 nonresident aliens as determined under the provision of the Oklahoma  
18 Income Tax Act.

19 Every payer of amounts covered by this subsection shall deduct  
20 and withhold from such amounts paid each payee an amount equal to  
21 eight percent (8%) thereof. Every payer required to deduct and  
22 withhold taxes under this subsection shall for each quarterly period  
23 on or before the last day of the month following the close of each  
24 such quarterly period, pay over the amount so withheld as taxes to

1 the Tax Commission, and shall file a return with each such payment.  
2 Such return shall be in such form as the Tax Commission shall  
3 prescribe. Every payer required under this subsection to deduct and  
4 withhold a tax from a payee shall, as to the total amounts paid to  
5 each payee during the calendar year, furnish to such payee, on or  
6 before January 31, of the succeeding year, a written statement  
7 showing the name of the payer, the name of the payee and the payee's  
8 Social Security account number, if any, the total amount paid  
9 subject to taxation, and the total amount deducted and withheld as  
10 tax and such other information as the Tax Commission may require.  
11 Any payer who fails to withhold or pay to the Tax Commission any  
12 sums herein required to be withheld or paid shall be personally and  
13 individually liable therefor to the State of Oklahoma.

14 E. Corporations. For all taxable years beginning after  
15 December 31, 2021, a tax is hereby imposed upon the Oklahoma taxable  
16 income of every corporation doing business within this state or  
17 deriving income from sources within this state in an amount equal to  
18 four percent (4%) thereof.

19 There shall be no additional Oklahoma income tax imposed on  
20 accumulated taxable income or on undistributed personal holding  
21 company income as those terms are defined in the Internal Revenue  
22 Code.

23 F. Certain foreign corporations. In lieu of the tax imposed ~~in~~  
24 ~~the first paragraph of subsection D of~~ by this section, for all

1 taxable years beginning after December 31, 2021, there shall be  
2 imposed on foreign corporations, as defined in the Internal Revenue  
3 Code, a tax of four percent (4%) instead of thirty percent (30%) as  
4 used in the Internal Revenue Code, where such income is received  
5 from sources within Oklahoma, in accordance with the provisions of  
6 the Internal Revenue Code and the Oklahoma Income Tax Act.

7 Every payer of amounts covered by this subsection shall deduct  
8 and withhold from such amounts paid each payee an amount equal to  
9 four percent (4%) thereof. Every payer required to deduct and  
10 withhold taxes under this subsection shall for each quarterly period  
11 on or before the last day of the month following the close of each  
12 such quarterly period, pay over the amount so withheld as taxes to  
13 the Tax Commission, and shall file a return with each such payment.  
14 Such return shall be in such form as the Tax Commission shall  
15 prescribe. Every payer required under this subsection to deduct and  
16 withhold a tax from a payee shall, as to the total amounts paid to  
17 each payee during the calendar year, furnish to such payee, on or  
18 before January 31, of the succeeding year, a written statement  
19 showing the name of the payer, the name of the payee and the payee's  
20 Social Security account number, if any, the total amounts paid  
21 subject to taxation, the total amount deducted and withheld as tax  
22 and such other information as the Tax Commission may require. Any  
23 payer who fails to withhold or pay to the Tax Commission any sums

24

1 herein required to be withheld or paid shall be personally and  
2 individually liable therefor to the State of Oklahoma.

3 G. Fiduciaries. A tax is hereby imposed upon the Oklahoma  
4 taxable income of every trust and estate at the same rates as are  
5 provided in subsection B or C of this section for single  
6 individuals. Fiduciaries are not allowed a deduction for any  
7 federal income tax paid.

8 H. Tax rate tables. For all taxable years beginning after  
9 December 31, 1991, in lieu of the tax imposed by subsection A, B or  
10 C of this section, as applicable there is hereby imposed for each  
11 taxable year on the taxable income of every individual, whose  
12 taxable income for such taxable year does not exceed the ceiling  
13 amount, a tax determined under tables, applicable to such taxable  
14 year which shall be prescribed by the Tax Commission and which shall  
15 be in such form as it determines appropriate. In the table so  
16 prescribed, the amounts of the tax shall be computed on the basis of  
17 the rates prescribed by subsection A, B or C of this section. For  
18 purposes of this subsection, the term "ceiling amount" means, with  
19 respect to any taxpayer, the amount determined by the Tax Commission  
20 for the tax rate category in which such taxpayer falls.

21 SECTION 2. AMENDATORY 68 O.S. 2021, Section 2358, as  
22 last amended by Section 2, Chapter 277, O.S.L. 2024 (68 O.S. Supp.  
23 2024, Section 2358), is amended to read as follows:

24

1 Section 2358. For all tax years beginning after December 31,  
2 1981, taxable income and adjusted gross income shall be adjusted to  
3 arrive at Oklahoma taxable income and Oklahoma adjusted gross income  
4 as required by this section.

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

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

13 2. There shall be deducted amounts included in such income that  
14 the state is prohibited from taxing because of the provisions of the  
15 Federal Constitution, the State Constitution, federal laws or laws  
16 of Oklahoma.

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

19 a. For carryovers and carrybacks to taxable years  
20 beginning before January 1, 1981, the amount of any  
21 net operating loss deduction allowed to a taxpayer for  
22 federal income tax purposes shall be reduced to an  
23 amount which is the same portion thereof as the loss  
24 from sources within this state, as determined pursuant

1 to this section and Section 2362 of this title, for  
2 the taxable year in which such loss is sustained is of  
3 the total loss for such year;

4 b. For carryovers and carrybacks to taxable years

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

1 losses may be carried back shall be limited to two (2)  
2 years. For tax years beginning after December 31,  
3 2008, the years to which such losses may be carried  
4 back shall be determined solely by reference to  
5 Section 172 of the Internal Revenue Code, 26 U.S.C.,  
6 Section 172, with the exception that the terms "net  
7 operating loss" and "taxable income" shall be replaced  
8 with "Oklahoma net operating loss" and "Oklahoma  
9 taxable income".

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

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

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

1 (1) where such property has acquired a nonunitary  
2 business or commercial situs apart from the  
3 domicile of the taxpayer such income shall be  
4 allocated in accordance with such business or  
5 commercial situs; interest income from  
6 investments held to generate working capital for  
7 a unitary business enterprise shall be included  
8 in apportionable income; a resident trust or  
9 resident estate shall be treated as having a  
10 separate commercial or business situs insofar as  
11 undistributed income is concerned, but shall not  
12 be treated as having a separate commercial or  
13 business situs insofar as distributed income is  
14 concerned,

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



1 (50%) of the value of the partnership's assets  
2 consists of intangible assets, capital or  
3 ordinary gains or losses from the sale of an  
4 ownership interest in the partnership shall be  
5 allocated to this state in accordance with the  
6 sales factor of the partnership for its first  
7 full tax period immediately preceding its tax  
8 period during which the ownership interest in the  
9 partnership was sold; the provisions of this  
10 division shall only apply if the capital or  
11 ordinary gains or losses from the sale of an  
12 ownership interest in a partnership do not  
13 constitute qualifying gain receiving capital  
14 treatment as defined in subparagraph a of  
15 paragraph 2 of subsection F of this section,

16 (3) income from such property which is required to be  
17 allocated pursuant to the provisions of paragraph  
18 5 of this subsection shall be allocated as herein  
19 provided;

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

1           d.    In the case of a manufacturing or processing  
2                enterprise the business of which in this state  
3                consists solely of marketing its products by:

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

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

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

19               the Oklahoma net income shall, at the option of the  
20               taxpayer, be that portion of the total net income of  
21               the taxpayer for federal income tax purposes derived  
22               from the manufacture and/or processing and sales  
23               everywhere as determined by the ratio of the sales  
24               defined in this section made to the purchaser within

1 the state to the total sales everywhere. The term  
2 "public warehouse" as used in this subparagraph means  
3 a licensed public warehouse, the principal business of  
4 which is warehousing merchandise for the public;

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

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

1 by the National Association of Insurance  
2 Commissioners, or such other form as may be  
3 prescribed in lieu thereof,

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

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

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

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

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

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

1 fixed situs, such as rolling stock, buses, trucks  
2 and trailers, including machinery and equipment  
3 carried thereon, airplanes, salespersons'  
4 automobiles and other similar equipment, in the  
5 proportion that miles traveled in this state by  
6 such equipment bears to total miles traveled,

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

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

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

1 services rendered everywhere during the tax period.

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

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

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

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



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

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

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

22 (3) In the case of an airline, truck or bus  
23 enterprise or freight car, tank car, refrigerator  
24 car or other railroad equipment enterprise, the

1 numerator of the fraction shall include a portion  
2 of revenue from interstate transportation in the  
3 proportion that interstate mileage traveled in  
4 this state bears to total interstate mileage  
5 traveled.

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

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

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

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

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

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

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

12 For purposes of this paragraph:

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

22 For assets placed in service and held by a corporation in which  
23 the Accelerated Cost Recovery System was previously disallowed, an  
24 adjustment to taxable income is required in the first taxable year

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

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

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

24

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

3 2. For purposes of this subsection:

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

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

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

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

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

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

23

24

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

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

12           2. As used in this subsection:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

8 g. For taxable years beginning on or after January 1,  
9 2017, and ending not later than December 31, 2025, in  
10 the case of individuals who use the standard deduction  
11 in determining taxable income, there shall be added or  
12 deducted, as the case may be, the difference necessary  
13 to allow a standard deduction in lieu of the standard  
14 deduction allowed by the Internal Revenue Code, as  
15 follows:

- 16 (1) Six Thousand Three Hundred Fifty Dollars  
17 (\$6,350.00) for single or married filing  
18 separately,
  - 19 (2) Twelve Thousand Seven Hundred Dollars  
20 (\$12,700.00) for married filing jointly or  
21 qualifying widower with dependent child, and
  - 22 (3) Nine Thousand Three Hundred Fifty Dollars  
23 (\$9,350.00) for head of household.
- 24

1        h.    For taxable years beginning on or after January 1,  
2            2026, 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)    Thirteen Thousand Five Hundred Fifty Dollars  
9                    (\$13,550.00) for single or married filing  
10                   separately,

11           (2)    Twenty-seven Thousand One Hundred Dollars  
12                    (\$27,100.00) for married filing jointly or  
13                    qualifying widower with dependent child, and

14           (3)    Twenty Thousand Three Hundred Twenty-five Dollars  
15                    (\$20,325.00) for head of household.

16        ~~3.~~

17        2.    a.    In the case of resident and part-year resident  
18                    individuals having adjusted gross income from sources  
19                    both within and without the state, the itemized or  
20                    standard deductions and personal exemptions shall be  
21                    reduced to an amount which is the same portion of the  
22                    total thereof as Oklahoma adjusted gross income is of  
23                    adjusted gross income. To the extent itemized  
24                    deductions include allowable moving expense, proration

1 of moving expense shall not be required or permitted  
2 but allowable moving expense shall be fully deductible  
3 for those taxpayers moving within or into this state  
4 and no part of moving expense shall be deductible for  
5 those taxpayers moving without or out of this state.  
6 All other itemized or standard deductions and personal  
7 exemptions shall be subject to proration as provided  
8 by law.

9 b. For taxable years beginning on or after January 1,  
10 2018, the net amount of itemized deductions allowable  
11 on an Oklahoma income tax return, subject to the  
12 provisions of paragraph 24 of this subsection, shall  
13 not exceed Seventeen Thousand Dollars (\$17,000.00).  
14 For purposes of this subparagraph, charitable  
15 contributions and medical expenses deductible for  
16 federal income tax purposes shall be excluded from the  
17 amount of Seventeen Thousand Dollars (\$17,000.00) as  
18 specified by this subparagraph.

19 ~~4.~~ 3. A resident individual with a physical disability  
20 constituting a substantial handicap to employment may deduct from  
21 Oklahoma adjusted gross income such expenditures to modify a motor  
22 vehicle, home or workplace as are necessary to compensate for his or  
23 her handicap. A veteran certified by the Department of Veterans  
24 Affairs of the federal government as having a service-connected

1 disability shall be conclusively presumed to be an individual with a  
2 physical disability constituting a substantial handicap to  
3 employment. The Tax Commission shall promulgate rules containing a  
4 list of combinations of common disabilities and modifications which  
5 may be presumed to qualify for this deduction. The Tax Commission  
6 shall prescribe necessary requirements for verification.

7 ~~5.~~

- 8 4. a. Before July 1, 2010, the first One Thousand Five  
9 Hundred Dollars (\$1,500.00) received by any person  
10 from the United States as salary or compensation in  
11 any form, other than retirement benefits, as a member  
12 of any component of the Armed Forces of the United  
13 States shall be deducted from taxable income.
- 14 b. On or after July 1, 2010, one hundred percent (100%)  
15 of the income received by any person from the United  
16 States as salary or compensation in any form, other  
17 than retirement benefits, as a member of any component  
18 of the Armed Forces of the United States shall be  
19 deducted from taxable income.
- 20 c. Whenever the filing of a timely income tax return by a  
21 member of the Armed Forces of the United States is  
22 made impracticable or impossible of accomplishment by  
23 reason of:

24



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

4 (2) absence from this state while on active duty; or

5 (3) confinement in a hospital within the United  
6 States for treatment of wounds, injuries or  
7 disease,

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

12 (a) Such individual shall return to the United  
13 States if the extension is granted pursuant  
14 to subparagraph a of this paragraph, return  
15 to this state if the extension is granted  
16 pursuant to subparagraph b of this paragraph  
17 or be discharged from such hospital if the  
18 extension is granted pursuant to  
19 subparagraph c of this paragraph; or

20 (b) An executor, administrator, or conservator  
21 of the estate of the taxpayer is appointed,  
22 whichever event occurs the earliest.

23 Provided, that the Tax Commission may, in its discretion, grant  
24 any member of the Armed Forces of the United States an extension of

1 time for filing of income tax returns and payment of income tax  
2 without incurring liabilities for interest or penalties. Such  
3 extension may be granted only when in the judgment of the Tax  
4 Commission a good cause exists therefor and may be for a period in  
5 excess of six (6) months. A record of every such extension granted,  
6 and the reason therefor, shall be kept.

7 ~~6.~~ 5. Before July 1, 2010, the salary or any other form of  
8 compensation, received from the United States by a member of any  
9 component of the Armed Forces of the United States, shall be  
10 deducted from taxable income during the time in which the person is  
11 detained by the enemy in a conflict, is a prisoner of war or is  
12 missing in action and not deceased; provided, after July 1, 2010,  
13 all such salary or compensation shall be subject to the deduction as  
14 provided pursuant to paragraph 5 of this subsection.

15 ~~7.~~

16 6. a. An individual taxpayer, whether resident or  
17 nonresident, may deduct an amount equal to the federal  
18 income taxes paid by the taxpayer during the taxable  
19 year.

20 b. Federal taxes as described in subparagraph a of this  
21 paragraph shall be deductible by any individual  
22 taxpayer, whether resident or nonresident, only to the  
23 extent they relate to income subject to taxation  
24 pursuant to the provisions of the Oklahoma Income Tax

1 Act. The maximum amount allowable in the preceding  
2 paragraph shall be prorated on the ratio of the  
3 Oklahoma adjusted gross income to federal adjusted  
4 gross income.

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

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

21 ~~§. 7.~~ 7. Retirement benefits not to exceed Five Thousand Five  
22 Hundred Dollars (\$5,500.00) for the 2004 tax year, Seven Thousand  
23 Five Hundred Dollars (\$7,500.00) for the 2005 tax year and Ten  
24 Thousand Dollars (\$10,000.00) for the 2006 tax year and all

1 subsequent tax years, which are received by an individual from the  
2 civil service of the United States, the Oklahoma Public Employees  
3 Retirement System, the Teachers' Retirement System of Oklahoma, the  
4 Oklahoma Law Enforcement Retirement System, the Oklahoma  
5 Firefighters Pension and Retirement System, the Oklahoma Police  
6 Pension and Retirement System, the employee retirement systems  
7 created by counties pursuant to Section 951 et seq. of Title 19 of  
8 the Oklahoma Statutes, the Uniform Retirement System for Justices  
9 and Judges, the Oklahoma Wildlife Conservation Department Retirement  
10 Fund, the Oklahoma Employment Security Commission Retirement Plan,  
11 or the employee retirement systems created by municipalities  
12 pursuant to Section 48-101 et seq. of Title 11 of the Oklahoma  
13 Statutes shall be exempt from taxable income.

14 ~~9.~~ 8. In taxable years beginning after December 31, 1984,  
15 Social Security benefits received by an individual shall be exempt  
16 from taxable income, to the extent such benefits are included in the  
17 federal adjusted gross income pursuant to the provisions of Section  
18 86 of the Internal Revenue Code, 26 U.S.C., Section 86.

19 ~~10.~~ 9. For taxable years beginning after December 31, 1994,  
20 lump-sum distributions from employer plans of deferred compensation,  
21 which are not qualified plans within the meaning of Section 401(a)  
22 of the Internal Revenue Code, 26 U.S.C., Section 401(a), and which  
23 are deposited in and accounted for within a separate bank account or  
24 brokerage account in a financial institution within this state,

1 shall be excluded from taxable income in the same manner as a  
2 qualifying rollover contribution to an individual retirement account  
3 within the meaning of Section 408 of the Internal Revenue Code, 26  
4 U.S.C., Section 408. Amounts withdrawn from such bank or brokerage  
5 account, including any earnings thereon, shall be included in  
6 taxable income when withdrawn in the same manner as withdrawals from  
7 individual retirement accounts within the meaning of Section 408 of  
8 the Internal Revenue Code.

9 ~~11.~~ 10. In taxable years beginning after December 31, 1995,  
10 contributions made to and interest received from a medical savings  
11 account established pursuant to Sections 2621 through 2623 of Title  
12 63 of the Oklahoma Statutes shall be exempt from taxable income.

13 ~~12.~~ 11. For taxable years beginning after December 31, 1996,  
14 the Oklahoma adjusted gross income of any individual taxpayer who is  
15 a swine or poultry producer may be further adjusted for the  
16 deduction for depreciation allowed for new construction or expansion  
17 costs which may be computed using the same depreciation method  
18 elected for federal income tax purposes except that the useful life  
19 shall be seven (7) years for purposes of this paragraph. If  
20 depreciation is allowed as a deduction in determining the adjusted  
21 gross income of an individual, any depreciation calculated and  
22 claimed pursuant to this section shall in no event be a duplication  
23 of any depreciation allowed or permitted on the federal income tax  
24 return of the individual.

1     ~~13.~~

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

5                (1)   the adoption of a minor, or

6                (2)   a proposed adoption of a minor which did not  
7                        result in a decreed adoption,

8                may be deducted from the Oklahoma adjusted gross  
9                income.

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

13              c.    The Tax Commission shall promulgate rules to implement  
14                     the provisions of this paragraph which shall contain a  
15                     specific list of nonrecurring adoption expenses which  
16                     may be presumed to qualify for the deduction. The Tax  
17                     Commission shall prescribe necessary requirements for  
18                     verification.

19              d.    "Nonrecurring adoption expenses" means adoption fees,  
20                     court costs, medical expenses, attorney fees and  
21                     expenses which are directly related to the legal  
22                     process of adoption of a child including, but not  
23                     limited to, costs relating to the adoption study,  
24                     health and psychological examinations, transportation

1 and reasonable costs of lodging and food for the child  
2 or adoptive parents which are incurred to complete the  
3 adoption process and are not reimbursed by other  
4 sources. The term nonrecurring adoption expenses  
5 shall not include attorney fees incurred for the  
6 purpose of litigating a contested adoption, from and  
7 after the point of the initiation of the contest,  
8 costs associated with physical remodeling, renovation  
9 and alteration of the adoptive parents' home or  
10 property, except for a special needs child as  
11 authorized by the court.

12 ~~14.~~

13 13. a. In taxable years beginning before January 1, 2005,  
14 retirement benefits not to exceed the amounts  
15 specified in this paragraph, which are received by an  
16 individual sixty-five (65) years of age or older and  
17 whose Oklahoma adjusted gross income is Twenty-five  
18 Thousand Dollars (\$25,000.00) or less if the filing  
19 status is single, head of household, or married filing  
20 separate, or Fifty Thousand Dollars (\$50,000.00) or  
21 less if the filing status is married filing joint or  
22 qualifying widow, shall be exempt from taxable income.  
23 In taxable years beginning after December 31, 2004,  
24 retirement benefits not to exceed the amounts

1 specified in this paragraph, which are received by an  
2 individual whose Oklahoma adjusted gross income is  
3 less than the qualifying amount specified in this  
4 paragraph, shall be exempt from taxable income.

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

7 (1) in taxable years beginning after December 31,  
8 2004, and prior to January 1, 2007, the  
9 qualifying amount shall be Thirty-seven Thousand  
10 Five Hundred Dollars (\$37,500.00) or less if the  
11 filing status is single, head of household, or  
12 married filing separate, or Seventy-five Thousand  
13 Dollars (\$75,000.00) or less if the filing status  
14 is married filing jointly or qualifying widow,

15 (2) in the taxable year beginning January 1, 2007,  
16 the qualifying amount shall be Fifty Thousand  
17 Dollars (\$50,000.00) or less if the filing status  
18 is single, head of household, or married filing  
19 separate, or One Hundred Thousand Dollars  
20 (\$100,000.00) or less if the filing status is  
21 married filing jointly or qualifying widow,

22 (3) in the taxable year beginning January 1, 2008,  
23 the qualifying amount shall be Sixty-two Thousand  
24 Five Hundred Dollars (\$62,500.00) or less if the



1 filing status is single, head of household, or  
2 married filing separate, or One Hundred Twenty-  
3 five Thousand Dollars (\$125,000.00) or less if  
4 the filing status is married filing jointly or  
5 qualifying widow,

6 (4) in the taxable year beginning January 1, 2009,  
7 the qualifying amount shall be One Hundred  
8 Thousand Dollars (\$100,000.00) or less if the  
9 filing status is single, head of household, or  
10 married filing separate, or Two Hundred Thousand  
11 Dollars (\$200,000.00) or less if the filing  
12 status is married filing jointly or qualifying  
13 widow, and

14 (5) in the taxable year beginning January 1, 2010,  
15 and subsequent taxable years, there shall be no  
16 limitation upon the qualifying amount.

17 c. For purposes of this paragraph, "retirement benefits"  
18 means the total distributions or withdrawals from the  
19 following:

20 (1) an employee pension benefit plan which satisfies  
21 the requirements of Section 401 of the Internal  
22 Revenue Code, 26 U.S.C., Section 401,  
23  
24

- 1 (2) an eligible deferred compensation plan that  
2 satisfies the requirements of Section 457 of the  
3 Internal Revenue Code, 26 U.S.C., Section 457,  
4 (3) an individual retirement account, annuity or  
5 trust or simplified employee pension that  
6 satisfies the requirements of Section 408 of the  
7 Internal Revenue Code, 26 U.S.C., Section 408,  
8 (4) an employee annuity subject to the provisions of  
9 Section 403(a) or (b) of the Internal Revenue  
10 Code, 26 U.S.C., Section 403(a) or (b),  
11 (5) United States Retirement Bonds which satisfy the  
12 requirements of Section 86 of the Internal  
13 Revenue Code, 26 U.S.C., Section 86, or  
14 (6) lump-sum distributions from a retirement plan  
15 which satisfies the requirements of Section  
16 402(e) of the Internal Revenue Code, 26 U.S.C.,  
17 Section 402(e).

18 d. The amount of the exemption provided by this paragraph  
19 shall be limited to Five Thousand Five Hundred Dollars  
20 (\$5,500.00) for the 2004 tax year, Seven Thousand Five  
21 Hundred Dollars (\$7,500.00) for the 2005 tax year and  
22 Ten Thousand Dollars (\$10,000.00) for the tax year  
23 2006 and for all subsequent tax years. Any individual  
24 who claims the exemption provided for in paragraph 6 7

1 of this subsection shall not be permitted to claim a  
2 combined total exemption pursuant to this paragraph  
3 and paragraph 8 of this subsection in an amount  
4 exceeding Five Thousand Five Hundred Dollars  
5 (\$5,500.00) for the 2004 tax year, Seven Thousand Five  
6 Hundred Dollars (\$7,500.00) for the 2005 tax year and  
7 Ten Thousand Dollars (\$10,000.00) for the 2006 tax  
8 year and all subsequent tax years.

9 ~~15.~~ 14. In taxable years beginning after December 31, 1999, for  
10 an individual engaged in production agriculture who has filed a  
11 Schedule F form with the taxpayer's federal income tax return for  
12 such taxable year, there shall be excluded from taxable income any  
13 amount which was included as federal taxable income or federal  
14 adjusted gross income and which consists of the discharge of an  
15 obligation by a creditor of the taxpayer incurred to finance the  
16 production of agricultural products.

17 ~~16.~~ 15. In taxable years beginning December 31, 2000, an amount  
18 equal to one hundred percent (100%) of the amount of any scholarship  
19 or stipend received from participation in the Oklahoma Police Corps  
20 Program, as established in Section 2-140.3 of Title 47 of the  
21 Oklahoma Statutes shall be exempt from taxable income.

22 ~~17.~~

23 16. a. In taxable years beginning after December 31, 2001,  
24 and before January 1, 2005, there shall be allowed a

1 deduction in the amount of contributions to accounts  
2 established pursuant to the Oklahoma College Savings  
3 Plan Act. The deduction shall equal the amount of  
4 contributions to accounts, but in no event shall the  
5 deduction for each contributor exceed Two Thousand  
6 Five Hundred Dollars (\$2,500.00) each taxable year for  
7 each account.

8 b. In taxable years beginning after December 31, 2004,  
9 each taxpayer shall be allowed a deduction for  
10 contributions to accounts established pursuant to the  
11 Oklahoma College Savings Plan Act. The maximum annual  
12 deduction shall equal the amount of contributions to  
13 all such accounts plus any contributions to such  
14 accounts by the taxpayer for prior taxable years after  
15 December 31, 2004, which were not deducted, but in no  
16 event shall the deduction for each tax year exceed Ten  
17 Thousand Dollars (\$10,000.00) for each individual  
18 taxpayer or Twenty Thousand Dollars (\$20,000.00) for  
19 taxpayers filing a joint return. Any amount of a  
20 contribution that is not deducted by the taxpayer in  
21 the year for which the contribution is made may be  
22 carried forward as a deduction from income for the  
23 succeeding five (5) years. For taxable years  
24 beginning after December 31, 2005, deductions may be

1 taken for contributions and rollovers made during a  
2 taxable year and up to April 15 of the succeeding  
3 year, or the due date of a taxpayer's state income tax  
4 return, excluding extensions, whichever is later.  
5 Provided, a deduction for the same contribution may  
6 not be taken for two (2) different taxable years.

7 c. In taxable years beginning after December 31, 2006,  
8 deductions for contributions made pursuant to  
9 subparagraph b of this paragraph shall be limited as  
10 follows:

11 (1) for a taxpayer who qualified for the five-year  
12 carryforward election and who takes a rollover or  
13 nonqualified withdrawal during that period, the  
14 tax deduction otherwise available pursuant to  
15 subparagraph b of this paragraph shall be reduced  
16 by the amount which is equal to the rollover or  
17 nonqualified withdrawal, and

18 (2) for a taxpayer who elects to take a rollover or  
19 nonqualified withdrawal within the same tax year  
20 in which a contribution was made to the  
21 taxpayer's account, the tax deduction otherwise  
22 available pursuant to subparagraph b of this  
23 paragraph shall be reduced by the amount of the  
24

1 contribution which is equal to the rollover or  
2 nonqualified withdrawal.

3 d. If a taxpayer elects to take a rollover on a  
4 contribution for which a deduction has been taken  
5 pursuant to subparagraph b of this paragraph within  
6 one (1) year of the date of contribution, the amount  
7 of such rollover shall be included in the adjusted  
8 gross income of the taxpayer in the taxable year of  
9 the rollover.

10 e. If a taxpayer makes a nonqualified withdrawal of  
11 contributions for which a deduction was taken pursuant  
12 to subparagraph b of this paragraph, such nonqualified  
13 withdrawal and any earnings thereon shall be included  
14 in the adjusted gross income of the taxpayer in the  
15 taxable year of the nonqualified withdrawal.

16 f. As used in this paragraph:

17 (1) "non-qualified withdrawal" means a withdrawal  
18 from an Oklahoma College Savings Plan account  
19 other than one of the following:

20 (a) a qualified withdrawal,

21 (b) a withdrawal made as a result of the death  
22 or disability of the designated beneficiary  
23 of an account,

24

1 (c) a withdrawal that is made on the account of  
2 a scholarship or the allowance or payment  
3 described in Section 135(d)(1)(B) or (C) or  
4 by the Internal Revenue Code, received by  
5 the designated beneficiary to the extent the  
6 amount of the refund does not exceed the  
7 amount of the scholarship, allowance, or  
8 payment, or

9 (d) a rollover or change of designated  
10 beneficiary as permitted by subsection F of  
11 Section 3970.7 of Title 70 of the Oklahoma  
12 Statutes, and

13 (2) "rollover" means the transfer of funds from the  
14 Oklahoma College Savings Plan to any other plan  
15 under Section 529 of the Internal Revenue Code.

16 ~~18.~~ 17. For tax years 2006 through 2021, retirement benefits  
17 received by an individual from any component of the Armed Forces of  
18 the United States in an amount not to exceed the greater of seventy-  
19 five percent (75%) of such benefits or Ten Thousand Dollars  
20 (\$10,000.00) shall be exempt from taxable income but in no case less  
21 than the amount of the exemption provided by paragraph 14 of this  
22 subsection. For tax year 2022 and subsequent tax years, retirement  
23 benefits received by an individual from any component of the Armed  
24 Forces of the United States shall be exempt from taxable income.

1       ~~19.~~ 18. For taxable years beginning after December 31, 2006,  
2 retirement benefits received by federal civil service retirees,  
3 including survivor annuities, paid in lieu of Social Security  
4 benefits shall be exempt from taxable income to the extent such  
5 benefits are included in the federal adjusted gross income pursuant  
6 to the provisions of Section 86 of the Internal Revenue Code, 26  
7 U.S.C., Section 86, according to the following schedule:

- 8           a. in the taxable year beginning January 1, 2007, twenty  
9           percent (20%) of such benefits shall be exempt,
- 10          b. in the taxable year beginning January 1, 2008, forty  
11          percent (40%) of such benefits shall be exempt,
- 12          c. in the taxable year beginning January 1, 2009, sixty  
13          percent (60%) of such benefits shall be exempt,
- 14          d. in the taxable year beginning January 1, 2010, eighty  
15          percent (80%) of such benefits shall be exempt, and
- 16          e. in the taxable year beginning January 1, 2011, and  
17          subsequent taxable years, one hundred percent (100%)  
18          of such benefits shall be exempt.

19       ~~20.~~

- 20       19. a. For taxable years beginning after December 31, 2007, a  
21       resident individual may deduct up to Ten Thousand  
22       Dollars (\$10,000.00) from Oklahoma adjusted gross  
23       income if the individual, or the dependent of the  
24       individual, while living, donates one or more human



1 organs of the individual to another human being for  
2 human organ transplantation. As used in this  
3 paragraph, "human organ" means all or part of a liver,  
4 pancreas, kidney, intestine, lung, or bone marrow. A  
5 deduction that is claimed under this paragraph may be  
6 claimed in the taxable year in which the human organ  
7 transplantation occurs.

8 b. An individual may claim this deduction only once, and  
9 the deduction may be claimed only for unreimbursed  
10 expenses that are incurred by the individual and  
11 related to the organ donation of the individual.

12 c. The Oklahoma Tax Commission shall promulgate rules to  
13 implement the provisions of this paragraph which shall  
14 contain a specific list of expenses which may be  
15 presumed to qualify for the deduction. The Tax  
16 Commission shall prescribe necessary requirements for  
17 verification.

18 ~~21.~~ 20. For taxable years beginning after December 31, 2009,  
19 there shall be exempt from taxable income any amount received by the  
20 beneficiary of the death benefit for an emergency medical technician  
21 or a registered emergency medical responder provided by Section 1-  
22 2505.1 of Title 63 of the Oklahoma Statutes.

23 ~~22.~~ 21. For taxable years beginning after December 31, 2008,  
24 taxable income shall be increased by any unemployment compensation

1 exempted under Section 85(c) of the Internal Revenue Code, 26  
2 U.S.C., Section 85(c) (2009).

3 ~~23.~~ 22. For taxable years beginning after December 31, 2008,  
4 there shall be exempt from taxable income any payment in an amount  
5 less than Six Hundred Dollars (\$600.00) received by a person as an  
6 award for participation in a competitive livestock show event. For  
7 purposes of this paragraph, the payment shall be treated as a  
8 scholarship amount paid by the entity sponsoring the event and the  
9 sponsoring entity shall cause the payment to be categorized as a  
10 scholarship in its books and records.

11 ~~24.~~ 23. For taxable years beginning on or after January 1,  
12 2016, taxable income shall be increased by any amount of state and  
13 local sales or income taxes deducted under 26 U.S.C., Section 164 of  
14 the Internal Revenue Code. If the amount of state and local taxes  
15 deducted on the federal return is limited, taxable income on the  
16 state return shall be increased only by the amount actually deducted  
17 after any such limitations are applied.

18 ~~25.~~ 24. For taxable years beginning after December 31, 2020,  
19 each taxpayer shall be allowed a deduction for contributions to  
20 accounts established pursuant to the Achieving a Better Life  
21 Experience (ABLE) Program as established in Section 4001.1 et seq.  
22 of Title 56 of the Oklahoma Statutes. For any tax year, the  
23 deduction provided for in this paragraph shall not exceed Ten  
24 Thousand Dollars (\$10,000.00) for an individual taxpayer or Twenty

1 Thousand Dollars (\$20,000.00) for taxpayers filing a joint return.  
2 Any amount of contribution not deducted by the taxpayer in the tax  
3 year for which the contribution is made may be carried forward as a  
4 deduction from income for up to five (5) tax years. Deductions may  
5 be taken for contributions made during the tax year and through  
6 April 15 of the succeeding tax year, or through the due date of a  
7 taxpayer's state income tax return excluding extensions, whichever  
8 is later. Provided, a deduction for the same contribution may not  
9 be taken in more than one (1) tax year.

10 ~~26.~~ 25. For tax year 2024 and subsequent tax years, tax credits  
11 received pursuant to the Oklahoma Parental Choice Tax Credit Act in  
12 Section 28-101 of Title 70 of the Oklahoma Statutes shall be exempt  
13 from taxable income.

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

19 2. As used in this subsection:

20 a. "qualifying gains receiving capital treatment" means  
21 the amount of net capital gains, as defined in Section  
22 1222(11) of the Internal Revenue Code, included in an  
23 individual taxpayer's federal income tax return that  
24 result from:

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

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

16 (3) the sale of real property, tangible personal  
17 property or intangible personal property located  
18 within this state as part of the sale of all or  
19 substantially all of the assets of an Oklahoma  
20 company, limited liability company, or  
21 partnership or an Oklahoma proprietorship  
22 business enterprise where such property has been  
23 directly or indirectly owned by such entity or  
24 business enterprise or owned by the owners of

1           such entity or business enterprise for a period  
2           of at least two (2) years prior to the date of  
3           the transaction from which the net capital gains  
4           arise,

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

11          c. "Oklahoma company," "limited liability company," or  
12          "partnership" means an entity whose primary  
13          headquarters have been located in this state for at  
14          least three (3) uninterrupted years prior to the date  
15          of the transaction from which the net capital gains  
16          arise,

17          d. "direct" means the individual taxpayer directly owns  
18          the asset,

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

23          (1) With respect to sales of real property or  
24          tangible personal property located within this

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

12 (2) With respect to sales of stock or ownership  
13 interest in or sales of all or substantially all  
14 of the assets of an Oklahoma company, limited  
15 liability company, partnership or Oklahoma  
16 proprietorship business enterprise, the deduction  
17 described in this subsection shall not apply  
18 unless the pass-through entity that makes the  
19 sale has held the stock or ownership interest for  
20 not less than two (2) uninterrupted years prior  
21 to the date of the transaction that created the  
22 capital gain, and each pass-through entity  
23 included in the chain of ownership has been a  
24 member, partner or shareholder of the pass-

1 through entity in the tier immediately below it  
2 for an uninterrupted period of not less than two  
3 (2) years. For purposes of this division,  
4 uninterrupted ownership prior to July 1, 2007,  
5 shall be included in the determination of the  
6 required holding period prescribed by this  
7 division, and

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

17 G. 1. For purposes of computing its Oklahoma taxable income  
18 under this section, the dividends-paid deduction otherwise allowed  
19 by federal law in computing net income of a real estate investment  
20 trust that is subject to federal income tax shall be added back in  
21 computing the tax imposed by this state under this title if the real  
22 estate investment trust is a captive real estate investment trust.

23 2. For purposes of computing its Oklahoma taxable income under  
24 this section, a taxpayer shall add back otherwise deductible rents

1 and interest expenses paid to a captive real estate investment trust  
2 that is not subject to the provisions of paragraph 1 of this  
3 subsection. As used in this subsection:

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

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

- 15 (1) treated as an association taxable as a  
16 corporation under the Internal Revenue Code, and  
17 (2) not exempt from federal income tax pursuant to  
18 the provisions of Section 501(a) of the Internal  
19 Revenue Code.

20 The term shall not include a real estate investment  
21 trust that is intended to be regularly traded on an  
22 established securities market, and that satisfies the  
23 requirements of Section 856(a) (5) and (6) of the U.S.  
24



1 Internal Revenue Code by reason of Section 856(h) (2)  
2 of the Internal Revenue Code,

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

5 (1) any real estate investment trust as defined in  
6 paragraph a of this subsection other than a  
7 captive real estate investment trust, or

8 (2) any qualified real estate investment trust  
9 subsidiary under Section 856(i) of the Internal  
10 Revenue Code, other than a qualified REIT  
11 subsidiary of a captive real estate investment  
12 trust, or

13 (3) any listed Australian property trust (meaning an  
14 Australian unit trust registered as a "managed  
15 investment scheme" under the Australian  
16 Corporations Act 2001 in which the principal  
17 class of units is listed on a recognized stock  
18 exchange in Australia and is regularly traded on  
19 an established securities market), or an entity  
20 organized as a trust, provided that a listed  
21 Australian property trust owns or controls,  
22 directly or indirectly, seventy-five percent  
23 (75%) or more of the voting power or value of the  
24 beneficial interests or shares of such trust, or

1 (4) any qualified foreign entity, meaning a  
2 corporation, trust, association or partnership  
3 organized outside the laws of the United States  
4 and which satisfies the following criteria:

5 (a) at least seventy-five percent (75%) of the  
6 entity's total asset value at the close of  
7 its taxable year is represented by real  
8 estate assets, as defined in Section  
9 856(c) (5) (B) of the Internal Revenue Code,  
10 thereby including shares or certificates of  
11 beneficial interest in any real estate  
12 investment trust, cash and cash equivalents,  
13 and U.S. Government securities,

14 (b) the entity receives a dividend-paid  
15 deduction comparable to Section 561 of the  
16 Internal Revenue Code, or is exempt from  
17 entity level tax,

18 (c) the entity is required to distribute at  
19 least eighty-five percent (85%) of its  
20 taxable income, as computed in the  
21 jurisdiction in which it is organized, to  
22 the holders of its shares or certificates of  
23 beneficial interest on an annual basis,  
24

1 (d) not more than ten percent (10%) of the  
2 voting power or value in such entity is held  
3 directly or indirectly or constructively by  
4 a single entity or individual, or the shares  
5 or beneficial interests of such entity are  
6 regularly traded on an established  
7 securities market, and

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

10 3. For purposes of this subsection, the constructive ownership  
11 rules of Section 318(a) of the Internal Revenue Code, as modified by  
12 Section 856(d) (5) of the Internal Revenue Code, shall apply in  
13 determining the ownership of stock, assets, or net profits of any  
14 person.

15 4. A real estate investment trust that does not become  
16 regularly traded on an established securities market within one (1)  
17 year of the date on which it first becomes a real estate investment  
18 trust shall be deemed not to have been regularly traded on an  
19 established securities market, retroactive to the date it first  
20 became a real estate investment trust, and shall file an amended  
21 return reflecting such retroactive designation for any tax year or  
22 part year occurring during its initial year of status as a real  
23 estate investment trust. For purposes of this subsection, a real  
24 estate investment trust becomes a real estate investment trust on

1 the first day it has both met the requirements of Section 856 of the  
2 Internal Revenue Code and has elected to be treated as a real estate  
3 investment trust pursuant to Section 856(c)(1) of the Internal  
4 Revenue Code.

5 SECTION 3. This act shall become effective January 1, 2026.

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