

1 STATE OF OKLAHOMA

2 1st Session of the 60th Legislature (2025)

3 COMMITTEE SUBSTITUTE  
4 FOR

5 SENATE BILL NO. 46

6 By: Weaver

7  
8 COMMITTEE SUBSTITUTE

9 An Act relating to income tax; amending 68 O.S. 2021,  
10 Section 2358, as last amended by Section 155, Chapter  
11 452, O.S.L. 2024 (68 O.S. Supp. 2024, Section 2358),  
12 which relates to adjustments; requiring the  
13 subtraction of certain income to arrive at Oklahoma  
14 adjusted gross income; updating statutory language;  
15 updating statutory references; and providing an  
16 effective date.

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

18 SECTION 1. AMENDATORY 68 O.S. 2021, Section 2358, as  
19 last amended by Section 155, Chapter 452, O.S.L. 2024 (68 O.S. Supp.  
20 2024, Section 2358), is amended to read as follows:

21 Section 2358. For all tax years beginning after December 31,  
22 1981, taxable income and adjusted gross income shall be adjusted to  
23 arrive at Oklahoma taxable income and Oklahoma adjusted gross income  
24 as required by this section.

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

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

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

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

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

24

1           b. For carryovers and carrybacks to taxable years  
2 beginning after December 31, 1980, the amount of any  
3 net operating loss deduction allowed for the taxable  
4 year shall be an amount equal to the aggregate of the  
5 Oklahoma net operating loss carryovers and carrybacks  
6 to such year. Oklahoma net operating losses shall be  
7 separately determined by reference to Section 172 of  
8 the Internal Revenue Code of 1986, as amended, 26  
9 U.S.C., Section 172, as modified by the Oklahoma  
10 Income Tax Act, Section 2351 et seq. of this title,  
11 and shall be allowed without regard to the existence  
12 of a federal net operating loss. For tax years  
13 beginning after December 31, 2000, and ending before  
14 January 1, 2008, the years to which such losses may be  
15 carried shall be determined solely by reference to  
16 Section 172 of the Internal Revenue Code of 1986, as  
17 amended, 26 U.S.C., Section 172, with the exception  
18 that the terms "net operating loss" and "taxable  
19 income" shall be replaced with "Oklahoma net operating  
20 loss" and "Oklahoma taxable income". For tax years  
21 beginning after December 31, 2007, and ending before  
22 January 1, 2009, years to which such losses may be  
23 carried back shall be limited to two (2) years. For  
24 tax years beginning after December 31, 2008, the years

1 to which such losses may be carried back shall be  
2 determined solely by reference to Section 172 of the  
3 Internal Revenue Code of 1986, as amended, 26 U.S.C.,  
4 Section 172, with the exception that the terms "net  
5 operating loss" and "taxable income" shall be replaced  
6 with "Oklahoma net operating loss" and "Oklahoma  
7 taxable income".

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

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

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

23 (1) where such property has acquired a nonunitary  
24 business or commercial situs apart from the

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

13 (2) for taxable years beginning after December 31,  
14 2003, capital or ordinary gains or losses from  
15 the sale of an ownership interest in a publicly  
16 traded partnership, as defined by Section 7704(b)  
17 of the Internal Revenue Code of 1986, as amended,  
18 shall be allocated to this state in the ratio of  
19 the original cost of such partnership's tangible  
20 property in this state to the original cost of  
21 such partnership's tangible property everywhere,  
22 as determined at the time of the sale; if more  
23 than fifty percent (50%) of the value of the  
24 partnership's assets consists of intangible

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

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

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

24

1           d.    In the case of a manufacturing or processing  
2           enterprise the business of which in ~~Oklahoma~~ this  
3           state 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 ~~Oklahoma~~ this state  
2                   bears to premiums written for reinsurance  
3                   accepted from all sources, or alternatively in  
4                   the proportion which the sum of the direct  
5                   premiums written for insurance on property or  
6                   risks in this state by each ceding company from  
7                   which reinsurance is accepted bears to the sum of  
8                   the total direct premiums written by each such  
9                   ceding company for 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 ~~Oklahoma~~ this  
6 state by such equipment bears to total miles  
7 traveled,

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

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

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

1 denominator of which is the total compensation for  
2 services rendered everywhere during the tax period.  
3 "Compensation", as used in this subsection, means  
4 those paid-for services to the extent related to the  
5 unitary business but does not include officers'  
6 salaries, wages and other compensation.

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

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

23 c. The sales factor is a fraction, the numerator of which  
24 is the total sales or gross revenue of the taxpayer in

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

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

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

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

1 car or other railroad equipment enterprise, the  
2 numerator of the fraction shall include a portion  
3 of revenue from interstate transportation in the  
4 proportion that interstate mileage traveled in  
5 ~~Oklahoma~~ this state bears to total interstate  
6 mileage traveled.

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

22 (5) In the case of a telephone or telegraph or other  
23 communication enterprise, the numerator of the  
24 fraction shall include that portion of the

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

17 In any case where the apportionment of the three factors  
18 prescribed in this paragraph attributes to ~~Oklahoma~~ this state a  
19 portion of net income of the enterprise out of all appropriate  
20 proportion to the property owned and/or business transacted within  
21 this state, because of the fact that one or more of the factors so  
22 prescribed are not employed to any appreciable extent in furtherance  
23 of the enterprise; or because one or more factors not so prescribed  
24 are employed to a considerable extent in furtherance of the



1 enterprise; or because of other reasons, the Tax Commission is  
2 empowered to permit, after a showing by taxpayer that an excessive  
3 portion of net income has been attributed to ~~Oklahoma~~ this state, or  
4 require, when in its judgment an insufficient portion of net income  
5 has been attributed to ~~Oklahoma~~ this state, the elimination,  
6 substitution, or use of additional factors, or reduction or increase  
7 in the weight of such prescribed factors. Provided, however, that  
8 any such variance from such prescribed factors which has the effect  
9 of increasing the portion of net income attributable to ~~Oklahoma~~  
10 this state must not be inherently arbitrary, and application of the  
11 recomputed final apportionment to the net income of the enterprise  
12 must attribute to ~~Oklahoma~~ this state only a reasonable portion  
13 thereof.

14 6. For calendar years 1997 and 1998, the owner of a new or  
15 expanded agricultural commodity processing facility in this state  
16 may exclude from Oklahoma taxable income, or in the case of an  
17 individual, the Oklahoma adjusted gross income, fifteen percent  
18 (15%) of the investment by the owner in the new or expanded  
19 agricultural commodity processing facility. For calendar year 1999,  
20 and all subsequent years, the percentage, not to exceed fifteen  
21 percent (15%), available to the owner of a new or expanded  
22 agricultural commodity processing facility in this state claiming  
23 the exemption shall be adjusted annually so that the total estimated  
24 reduction in tax liability does not exceed One Million Dollars

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

15 For purposes of this paragraph:

16 a. "Agricultural commodity processing facility" means  
17 ~~building~~ buildings, structures, fixtures and  
18 improvements used or operated primarily for the  
19 processing or production of marketable products from  
20 agricultural commodities. The term shall also mean a  
21 dairy operation that requires a depreciable investment  
22 of at least Two Hundred Fifty Thousand Dollars  
23 (\$250,000.00) and which produces milk from dairy cows.  
24 The term does not include a facility that provides

1 only, and nothing more than, storage, cleaning, drying  
2 or transportation of agricultural commodities, and

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

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

9 (2) transporting the agricultural commodities or  
10 product before, during or after the processing,  
11 or

12 (3) packaging or otherwise preparing the product for  
13 sale or shipment.

14 7. Despite any provision to the contrary in paragraph 3 of this  
15 subsection, for taxable years beginning after December 31, 1999, in  
16 the case of a taxpayer which has a farming loss, such farming loss  
17 shall be considered a net operating loss carryback in accordance  
18 with and to the extent of the Internal Revenue Code of 1986, as  
19 amended, 26 U.S.C., Section ~~172(b)(G)~~ 172(b)(1)(B). However, the  
20 amount of the net operating loss carryback shall not exceed the  
21 lesser of:

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

23 b. the loss properly shown on Schedule F of the Internal  
24 Revenue Service Form 1040 reduced by one-half (1/2) of

1 the income from all other sources other than reflected  
2 on Schedule F.

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

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

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

1 of the Internal Revenue Code of 1986 as amended by Section 1231 of  
2 the American Recovery and Reinvestment Act of 2009 (P.L. No. 111-5).

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

1        12. For tax year 2026 and subsequent tax years, the amount of  
2 state or local income tax refunds, credits, or offsets, as reported  
3 on federal income tax Form 1099-G (Certain Government Payments),  
4 shall be subtracted from adjusted gross income to arrive at Oklahoma  
5 adjusted gross income for those taxpayers who file an Oklahoma tax  
6 return with itemized deductions.

7        B. 1. The taxable income of any corporation shall be further  
8 adjusted to arrive at Oklahoma taxable income, except those  
9 corporations electing treatment as provided in subchapter S of the  
10 Internal Revenue Code of 1986, as amended, 26 U.S.C., Section 1361  
11 et seq., and Section 2365 of this title, deductions pursuant to the  
12 provisions of the Accelerated Cost Recovery System as ~~defined~~  
13 provided and allowed in the Economic Recovery Tax Act of 1981,  
14 Public Law 97-34, 26 U.S.C., Section 168, for depreciation of assets  
15 placed into service after December 31, 1981, shall not be allowed in  
16 calculating Oklahoma taxable income. Such corporations shall be  
17 allowed a deduction for depreciation of assets placed into service  
18 after December 31, 1981, in accordance with provisions of the  
19 Internal Revenue Code of 1986, as amended, 26 U.S.C., Section 1 et  
20 seq., in effect immediately prior to the enactment of the  
21 Accelerated Cost Recovery System. The Oklahoma tax basis for all  
22 such assets placed into service after December 31, 1981, calculated  
23 in this section shall be retained and utilized for all Oklahoma  
24 income tax purposes through the final disposition of such assets.

1 Notwithstanding any other provisions of the Oklahoma Income Tax  
2 Act, Section 2351 et seq. of this title, or of the Internal Revenue  
3 Code of 1986, as amended, to the contrary, this subsection shall  
4 control calculation of depreciation of assets placed into service  
5 after December 31, 1981, and before January 1, 1983.

6 For assets placed in service and held by a corporation in which  
7 ~~accelerated cost recovery system~~ the Accelerated Cost Recovery  
8 System was previously disallowed, an adjustment to taxable income is  
9 required in the first taxable year beginning after December 31,  
10 1982, to reconcile the basis of such assets to the basis allowed in  
11 the Internal Revenue Code of 1986, as amended. The purpose of this  
12 adjustment is to equalize the basis and allowance for depreciation  
13 accounts between that reported to the Internal Revenue Service and  
14 that reported to ~~Oklahoma~~ this state.

15 2. For tax years beginning on or after January 1, 2009, and  
16 ending on or before December 31, 2009, there shall be added to  
17 Oklahoma taxable income any amount in excess of One Hundred Seventy-  
18 five Thousand Dollars (\$175,000.00) which has been deducted as a  
19 small business expense under Internal Revenue Code of 1986, as  
20 amended, Section 179 as provided in the American Recovery and  
21 Reinvestment Act of 2009.

22 C. 1. For taxable years beginning after December 31, 1987, the  
23 taxable income of any corporation shall be further adjusted to  
24 arrive at Oklahoma taxable income for transfers of technology to

1 qualified small businesses located in ~~Oklahoma~~ this state. Such  
2 transferor corporation shall be allowed an exemption from taxable  
3 income of an amount equal to the amount of royalty payment received  
4 as a result of such transfer; provided, however, such amount shall  
5 not exceed ten percent (10%) of the amount of gross proceeds  
6 received by such transferor corporation as a result of the  
7 technology transfer. Such exemption shall be allowed for a period  
8 not to exceed ten (10) years from the date of receipt of the first  
9 royalty payment accruing from such transfer. No exemption may be  
10 claimed for transfers of technology to qualified small businesses  
11 made prior to January 1, 1988.

12 2. For purposes of this subsection:

13 a. "Qualified small business" means an entity, whether  
14 organized as a corporation, partnership, or  
15 proprietorship, organized for profit with its  
16 principal place of business located within this state  
17 and which meets the following criteria:

- 18 (1) Capitalization of not more than Two Hundred Fifty  
19 Thousand Dollars (\$250,000.00),  
20 (2) Having at least fifty percent (50%) of its  
21 employees and assets located in ~~Oklahoma~~ this  
22 state at the time of the transfer, and  
23 (3) Not a subsidiary or affiliate of the transferor  
24 corporation;



1           b. "Technology" means a proprietary process, formula,  
2           pattern, device or compilation of scientific or  
3           technical information which is not in the public  
4           domain;

5           c. "Transferor corporation" means a corporation which is  
6           the exclusive and undisputed owner of the technology  
7           at the time the transfer is made; and

8           d. "Gross proceeds" means the total amount of  
9           consideration for the transfer of technology, whether  
10          the consideration is in money or otherwise.

11          D. 1. For taxable years beginning after December 31, 2005, the  
12          taxable income of any corporation, estate or trust, shall be further  
13          adjusted for qualifying gains receiving capital treatment. Such  
14          corporations, estates or trusts shall be allowed a deduction from  
15          Oklahoma taxable income for the amount of qualifying gains receiving  
16          capital treatment earned by the corporation, estate or trust during  
17          the taxable year and included in the federal taxable income of such  
18          corporation, estate or trust.

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 of 1986, as  
23           amended, included in the federal income tax return of  
24           the corporation, estate or trust that result from:

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

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

16 (3) the sale of real property, tangible personal  
17 property or intangible personal property located  
18 within ~~Oklahoma~~ this state as part of the sale of  
19 all or substantially all of the assets of an  
20 Oklahoma company, limited liability company, or  
21 partnership where such property has been directly  
22 or indirectly owned by such entity owned by the  
23 owners of such entity, and used in or derived  
24 from such entity for a period of at least three

1 (3) years prior to the date of the transaction  
2 from which the net capital gains arise,

3 b. "holding period" means an uninterrupted period of  
4 time. The holding period shall include any additional  
5 period when the property was held by another  
6 individual or entity, if such additional period is  
7 included in the taxpayer's holding period for the  
8 asset pursuant to the Internal Revenue Code of 1986,  
9 as amended,

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

16 d. "direct" means the taxpayer directly owns the asset,  
17 and

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

22 (1) With respect to sales of real property or  
23 tangible personal property located within  
24 ~~Oklahoma~~ this state, the deduction described in

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

11 (2) With respect to sales of stock or ownership  
12 interest in or sales of all or substantially all  
13 of the assets of an Oklahoma company, limited  
14 liability company, or partnership, the deduction  
15 described in this subsection shall not apply  
16 unless the pass-through entity that makes the  
17 sale has held the stock or ownership interest or  
18 the assets for not less than three (3)  
19 uninterrupted years prior to the date of the  
20 transaction that created the capital gain, and  
21 each pass-through entity included in the chain of  
22 ownership has been a member, partner or  
23 shareholder of the pass-through entity in the  
24

1 tier immediately below it for an uninterrupted  
2 period of not less than three (3) years.

3 E. The Oklahoma adjusted gross income of any individual  
4 taxpayer shall be further adjusted as follows to arrive at Oklahoma  
5 taxable income:

6 1. a. In the case of individuals, there shall be added or  
7 deducted, as the case may be, the difference necessary  
8 to allow personal exemptions of One Thousand Dollars  
9 (\$1,000.00) in lieu of the personal exemptions allowed  
10 by the Internal Revenue Code of 1986, as amended.

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

22 c. There shall be allowed an additional exemption of One  
23 Thousand Dollars (\$1,000.00) for each taxpayer or  
24 spouse who is sixty-five (65) years of age or older at

1 the close of the tax year based upon the filing status  
2 and federal adjusted gross income of the taxpayer.  
3 Taxpayers with the following filing status may claim  
4 this exemption if the federal adjusted gross income  
5 does not exceed:

- 6 (1) Twenty-five Thousand Dollars (\$25,000.00) if  
7 married and filing jointly,
- 8 (2) Twelve Thousand Five Hundred Dollars (\$12,500.00)  
9 if married and filing separately,
- 10 (3) Fifteen Thousand Dollars (\$15,000.00) if single,  
11 and
- 12 (4) Nineteen Thousand Dollars (\$19,000.00) if a  
13 qualifying head of household.

14 Provided, for taxable years beginning after December  
15 31, 1999, amounts included in the calculation of  
16 federal adjusted gross income pursuant to the  
17 conversion of a traditional individual retirement  
18 account to a Roth individual retirement account shall  
19 be excluded from federal adjusted gross income for  
20 purposes of the income thresholds provided in this  
21 subparagraph.

- 22 2. a. For taxable years beginning on or before December 31,  
23 2005, in the case of individuals who use the standard  
24 deduction in determining taxable income, there shall

1 be added or deducted, as the case may be, the  
2 difference necessary to allow a standard deduction in  
3 lieu of the standard deduction allowed by the Internal  
4 Revenue Code of 1986, as amended, in an amount equal  
5 to the larger of fifteen percent (15%) of the Oklahoma  
6 adjusted gross income or One Thousand Dollars  
7 (\$1,000.00), but not to exceed Two Thousand Dollars  
8 (\$2,000.00), except that in the case of a married  
9 individual filing a separate return such deduction  
10 shall be the larger of fifteen percent (15%) of such  
11 Oklahoma adjusted gross income or Five Hundred Dollars  
12 (\$500.00), but not to exceed the maximum amount of One  
13 Thousand Dollars (\$1,000.00).

14 b. For taxable years beginning on or after January 1,  
15 2006, and before January 1, 2007, in the case of  
16 individuals who use the standard deduction in  
17 determining taxable income, there shall be added or  
18 deducted, as the case may be, the difference necessary  
19 to allow a standard deduction in lieu of the standard  
20 deduction allowed by the Internal Revenue Code of  
21 1986, as amended, in an amount equal to:

22 (1) Three Thousand Dollars (\$3,000.00), if the filing  
23 status is married filing joint, head of household  
24 or qualifying widow, or

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

3 c. For the taxable year beginning on January 1, 2007, and  
4 ending December 31, 2007, in the case of individuals  
5 who use the standard deduction in determining taxable  
6 income, there shall be added or deducted, as the case  
7 may be, the difference necessary to allow a standard  
8 deduction in lieu of the standard deduction allowed by  
9 the Internal Revenue Code of 1986, as amended, in an  
10 amount equal to:

11 (1) Five Thousand Five Hundred Dollars (\$5,500.00),  
12 if the filing status is married filing joint or  
13 qualifying widow, or

14 (2) Four Thousand One Hundred Twenty-five Dollars  
15 (\$4,125.00) for a head of household, or

16 (3) Two Thousand Seven Hundred Fifty Dollars  
17 (\$2,750.00), if the filing status is single or  
18 married filing separate.

19 d. For the taxable year beginning on January 1, 2008, and  
20 ending December 31, 2008, in the case of individuals  
21 who use the standard deduction in determining taxable  
22 income, there shall be added or deducted, as the case  
23 may be, the difference necessary to allow a standard  
24 deduction in lieu of the standard deduction allowed by



1 the Internal Revenue Code of 1986, as amended, in an  
2 amount equal to:

3 (1) Six Thousand Five Hundred Dollars (\$6,500.00), if  
4 the filing status is married filing joint or  
5 qualifying widow,

6 (2) Four Thousand Eight Hundred Seventy-five Dollars  
7 (\$4,875.00) for a head of household, or

8 (3) Three Thousand Two Hundred Fifty Dollars  
9 (\$3,250.00), if the filing status is single or  
10 married filing separate.

11 e. For the taxable year beginning on January 1, 2009, and  
12 ending December 31, 2009, 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 of 1986, as amended, in an  
18 amount equal to:

19 (1) Eight Thousand Five Hundred Dollars (\$8,500.00),  
20 if the filing status is married filing joint or  
21 qualifying widow,

22 (2) Six Thousand Three Hundred Seventy-five Dollars  
23 (\$6,375.00) for a head of household, or  
24

1 (3) Four Thousand Two Hundred Fifty Dollars  
2 (\$4,250.00), if the filing status is single or  
3 married filing separate.

4 Oklahoma adjusted gross income shall be increased by  
5 any amounts paid for motor vehicle excise taxes which  
6 were deducted as allowed by the Internal Revenue Code  
7 of 1986, as amended.

8 f. For taxable years beginning on or after January 1,  
9 2010, and ending on December 31, 2016, in the case of  
10 individuals who use the standard deduction in  
11 determining taxable income, there shall be added or  
12 deducted, as the case may be, the difference necessary  
13 to allow a standard deduction equal to the standard  
14 deduction allowed by the Internal Revenue Code of  
15 1986, as amended, based upon the amount and filing  
16 status prescribed by such Code for purposes of filing  
17 federal individual income tax returns.

18 g. For taxable years beginning on or after January 1,  
19 2017, in the case of individuals who use the standard  
20 deduction in determining taxable income, there shall  
21 be added or deducted, as the case may be, the  
22 difference necessary to allow a standard deduction in  
23 lieu of the standard deduction allowed by the Internal  
24 Revenue Code of 1986, as amended, as follows:

- 1 (1) Six Thousand Three Hundred Fifty Dollars  
2 (\$6,350.00) for single or married filing  
3 separately,  
4 (2) Twelve Thousand Seven Hundred Dollars  
5 (\$12,700.00) for married filing jointly or  
6 qualifying widower with dependent child, and  
7 (3) Nine Thousand Three Hundred Fifty Dollars  
8 (\$9,350.00) for head of household.

9 3. a. In the case of resident and part-year resident  
10 individuals having adjusted gross income from sources  
11 both within and without the state, the itemized or  
12 standard deductions and personal exemptions shall be  
13 reduced to an amount which is the same portion of the  
14 total thereof as Oklahoma adjusted gross income is of  
15 adjusted gross income. To the extent itemized  
16 deductions include allowable moving expense, proration  
17 of moving expense shall not be required or permitted  
18 but allowable moving expense shall be fully deductible  
19 for those taxpayers moving within or into ~~Oklahoma~~  
20 this state and no part of moving expense shall be  
21 deductible for those taxpayers moving without or out  
22 of ~~Oklahoma~~ this state. All other itemized or  
23 standard deductions and personal exemptions shall be  
24 subject to proration as provided by law.

1           b. For taxable years beginning on or after January 1,  
2           2018, the net amount of itemized deductions allowable  
3           on an Oklahoma income tax return, subject to the  
4           provisions of paragraph 24 of this subsection, shall  
5           not exceed Seventeen Thousand Dollars (\$17,000.00).  
6           For purposes of this subparagraph, charitable  
7           contributions and medical expenses deductible for  
8           federal income tax purposes shall be excluded from the  
9           amount of Seventeen Thousand Dollars (\$17,000.00) as  
10          specified by this subparagraph.

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

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

7                    b.    On or after July 1, 2010, one hundred percent (100%)  
8                    of the income received by any person from the United  
9                    States as salary or compensation in any form, other  
10                    than retirement benefits, as a member of any component  
11                    of the Armed Forces of the United States shall be  
12                    deducted from taxable income.

13                   c.    Whenever the filing of a timely income tax return by a  
14                    member of the Armed Forces of the United States is  
15                    made impracticable or impossible of accomplishment by  
16                    reason of:

17                    (1)   absence from the United States, which term  
18                    includes only the states and the District of  
19                    Columbia,

20                    (2)   absence from ~~the State of Oklahoma~~ this state  
21                    while on active duty, or

22                    (3)   confinement in a hospital within the United  
23                    States for treatment of wounds, injuries or  
24                    disease,

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

5 (a) Such individual shall return to the United  
6 States if the extension is granted pursuant  
7 to ~~subparagraph a~~ division 1 of this  
8 ~~paragraph subparagraph~~, return to ~~the State~~  
9 ~~of Oklahoma~~ this state if the extension is  
10 granted pursuant to ~~subparagraph b~~ division  
11 2 of this ~~paragraph~~ subparagraph or be  
12 discharged from such hospital if the  
13 extension is granted pursuant to  
14 ~~subparagraph e~~ division 3 of this ~~paragraph~~  
15 subparagraph, or

16 (b) An executor, administrator, or conservator  
17 of the estate of the taxpayer is appointed,  
18 whichever event occurs the earliest.

19 Provided, that the Tax Commission may, in its discretion, grant  
20 any member of the Armed Forces of the United States an extension of  
21 time for filing of income tax returns and payment of income tax  
22 without incurring liabilities for interest or penalties. Such  
23 extension may be granted only when in the judgment of the Tax  
24 Commission a good cause exists therefor and may be for a period in

1 excess of six (6) months. A record of every such extension granted,  
2 and the reason therefor, shall be kept.

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

11 7. a. An individual taxpayer, whether resident or  
12 nonresident, may deduct an amount equal to the federal  
13 income taxes paid by the taxpayer during the taxable  
14 year.

15 b. Federal taxes as described in subparagraph a of this  
16 paragraph shall be deductible by any individual  
17 taxpayer, whether resident or nonresident, only to the  
18 extent they relate to income subject to taxation  
19 pursuant to the provisions of the Oklahoma Income Tax  
20 Act. The maximum amount allowable in ~~the preceding~~  
21 paragraph 5 of this subsection shall be prorated on  
22 the ratio of the Oklahoma adjusted gross income to  
23 federal adjusted gross income.

24

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

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

17 8. Retirement benefits not to exceed Five Thousand Five Hundred  
18 Dollars (\$5,500.00) for the 2004 tax year, Seven Thousand Five  
19 Hundred Dollars (\$7,500.00) for the 2005 tax year and Ten Thousand  
20 Dollars (\$10,000.00) for the 2006 tax year and all subsequent tax  
21 years, which are received by an individual from the civil service of  
22 the United States, the Oklahoma Public Employees Retirement System,  
23 the Teachers' Retirement System of Oklahoma, the Oklahoma Law  
24 Enforcement Retirement System, the Oklahoma Firefighters Pension and



1 Retirement System, the Oklahoma Police Pension and Retirement  
2 System, the employee retirement systems created by counties pursuant  
3 to Section 951 et seq. of Title 19 of the Oklahoma Statutes, ~~the~~ The  
4 Uniform Retirement System for Justices and Judges, the Oklahoma  
5 Wildlife Conservation Department Retirement Fund, the Oklahoma  
6 Employment Security Commission Retirement Plan, or the employee  
7 retirement systems created by municipalities pursuant to Section 48-  
8 101 et seq. of Title 11 of the Oklahoma Statutes shall be exempt  
9 from taxable income.

10 9. In taxable years beginning after December 31, 1984, Social  
11 Security benefits received by an individual shall be exempt from  
12 taxable income, to the extent such benefits are included in the  
13 federal adjusted gross income pursuant to the provisions of Section  
14 86 of the Internal Revenue Code of 1986, as amended, 26 U.S.C.,  
15 Section 86.

16 10. For taxable years beginning after December 31, 1994, lump-  
17 sum distributions from employer plans of deferred compensation,  
18 which are not qualified plans within the meaning of Section 401(a)  
19 of the Internal Revenue Code of 1986, as amended, 26 U.S.C., Section  
20 401(a), and which are deposited in and accounted for within a  
21 separate bank account or brokerage account in a financial  
22 institution within this state, shall be excluded from taxable income  
23 in the same manner as a qualifying rollover contribution to an  
24 individual retirement account within the meaning of Section 408 of

1 the Internal Revenue Code of 1986, as amended, 26 U.S.C., Section  
2 408. Amounts withdrawn from such bank or brokerage account,  
3 including any earnings thereon, shall be included in taxable income  
4 when withdrawn in the same manner as withdrawals from individual  
5 retirement accounts within the meaning of Section 408 of the  
6 Internal Revenue Code of 1986, as amended.

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

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

23 13. a. In taxable years beginning before January 1, 2005,  
24 retirement benefits not to exceed the amounts

1 specified in this paragraph, which are received by an  
2 individual sixty-five (65) years of age or older and  
3 whose Oklahoma adjusted gross income is Twenty-five  
4 Thousand Dollars (\$25,000.00) or less if the filing  
5 status is single, head of household, or married filing  
6 separate, or Fifty Thousand Dollars (\$50,000.00) or  
7 less if the filing status is married filing joint or  
8 qualifying widow, shall be exempt from taxable income.  
9 In taxable years beginning after December 31, 2004,  
10 retirement benefits not to exceed the amounts  
11 specified in this paragraph, which are received by an  
12 individual whose Oklahoma adjusted gross income is  
13 less than the qualifying amount specified in this  
14 paragraph, shall be exempt from taxable income.

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

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

- 1 (2) in the taxable year beginning January 1, 2007,  
2 the qualifying amount shall be Fifty Thousand  
3 Dollars (\$50,000.00) or less if the filing status  
4 is single, head of household, or married filing  
5 separate, or One Hundred Thousand Dollars  
6 (\$100,000.00) or less if the filing status is  
7 married filing jointly or qualifying widow,
- 8 (3) in the taxable year beginning January 1, 2008,  
9 the qualifying amount shall be Sixty-two Thousand  
10 Five Hundred Dollars (\$62,500.00) or less if the  
11 filing status is single, head of household, or  
12 married filing separate, or One Hundred Twenty-  
13 five Thousand Dollars (\$125,000.00) or less if  
14 the filing status is married filing jointly or  
15 qualifying widow,
- 16 (4) in the taxable year beginning January 1, 2009,  
17 the qualifying amount shall be One Hundred  
18 Thousand Dollars (\$100,000.00) or less if the  
19 filing status is single, head of household, or  
20 married filing separate, or Two Hundred Thousand  
21 Dollars (\$200,000.00) or less if the filing  
22 status is married filing jointly or qualifying  
23 widow, and  
24

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

4 c. For purposes of this paragraph, "retirement benefits"  
5 means the total distributions or withdrawals from the  
6 following:

7 (1) an employee pension benefit plan which satisfies  
8 the requirements of Section 401 of the Internal  
9 Revenue Code of 1986, as amended, 26 U.S.C.,  
10 Section 401,

11 (2) an eligible deferred compensation plan that  
12 satisfies the requirements of Section 457 of the  
13 Internal Revenue Code of 1986, as amended, 26  
14 U.S.C., Section 457,

15 (3) an individual retirement account, annuity or  
16 trust or simplified employee pension that  
17 satisfies the requirements of Section 408 of the  
18 Internal Revenue Code of 1986, as amended, 26  
19 U.S.C., Section 408,

20 (4) an employee annuity subject to the provisions of  
21 Section 403(a) or (b) of the Internal Revenue  
22 Code of 1986, as amended, 26 U.S.C., Section  
23 403(a) or (b),  
24

1 (5) United States Retirement Bonds which satisfy the  
2 requirements of Section 86 of the Internal  
3 Revenue Code of 1986, as amended, 26 U.S.C.,  
4 Section 86, or

5 (6) lump-sum distributions from a retirement plan  
6 which satisfies the requirements of Section  
7 402(e) of the Internal Revenue Code of 1986, as  
8 amended, 26 U.S.C., Section 402(e).

9 d. The amount of the exemption provided by this paragraph  
10 shall be limited to Five Thousand Five Hundred Dollars  
11 (\$5,500.00) for the 2004 tax year, Seven Thousand Five  
12 Hundred Dollars (\$7,500.00) for the 2005 tax year and  
13 Ten Thousand Dollars (\$10,000.00) for the tax year  
14 2006 and for all subsequent tax years. Any individual  
15 who claims the exemption provided for in paragraph 8  
16 of this subsection shall not be permitted to claim a  
17 combined total exemption pursuant to this paragraph  
18 and paragraph 8 of this subsection in an amount  
19 exceeding 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 2006 tax  
23 year and all subsequent tax years.  
24

1       14. In taxable years beginning after December 31, 1999, for an  
2 individual engaged in production agriculture who has filed a  
3 Schedule F form with the taxpayer's federal income tax return for  
4 such taxable year, there shall be excluded from taxable income any  
5 amount which was included as federal taxable income or federal  
6 adjusted gross income and which consists of the discharge of an  
7 obligation by a creditor of the taxpayer incurred to finance the  
8 production of agricultural products.

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

14       16. a. In taxable years beginning after December 31, 2001,  
15 and before January 1, 2005, there shall be allowed a  
16 deduction in the amount of contributions to accounts  
17 established pursuant to the Oklahoma College Savings  
18 Plan Act. The deduction shall equal the amount of  
19 contributions to accounts, but in no event shall the  
20 deduction for each contributor exceed Two Thousand  
21 Five Hundred Dollars (\$2,500.00) each taxable year for  
22 each account.

23       b. In taxable years beginning after December 31, 2004,  
24 each taxpayer shall be allowed a deduction for

1 contributions to accounts established pursuant to the  
2 Oklahoma College Savings Plan Act. The maximum annual  
3 deduction shall equal the amount of contributions to  
4 all such accounts plus any contributions to such  
5 accounts by the taxpayer for prior taxable years after  
6 December 31, 2004, which were not deducted, but in no  
7 event shall the deduction for each tax year exceed Ten  
8 Thousand Dollars (\$10,000.00) for each individual  
9 taxpayer or Twenty Thousand Dollars (\$20,000.00) for  
10 taxpayers filing a joint return. Any amount of a  
11 contribution that is not deducted by the taxpayer in  
12 the year for which the contribution is made may be  
13 carried forward as a deduction from income for the  
14 succeeding five (5) years. For taxable years  
15 beginning after December 31, 2005, deductions may be  
16 taken for contributions and rollovers made during a  
17 taxable year and up to April 15 of the succeeding  
18 year, or the due date of a taxpayer's state income tax  
19 return, excluding extensions, whichever is later.  
20 Provided, a deduction for the same contribution may  
21 not be taken for two (2) different taxable years.

22 c. In taxable years beginning after December 31, 2006,  
23 deductions for contributions made pursuant to  
24



1           subparagraph b of this paragraph shall be limited as  
2 follows:

3           (1) for a taxpayer who qualified for the five-year  
4 carryforward election and who takes a rollover or  
5 nonqualified withdrawal during that period, the  
6 tax deduction otherwise available pursuant to  
7 subparagraph b of this paragraph shall be reduced  
8 by the amount which is equal to the rollover or  
9 nonqualified withdrawal, and

10          (2) for a taxpayer who elects to take a rollover or  
11 nonqualified withdrawal within the same tax year  
12 in which a contribution was made to the  
13 taxpayer's account, the tax deduction otherwise  
14 available pursuant to subparagraph b of this  
15 paragraph shall be reduced by the amount of the  
16 contribution which is equal to the rollover or  
17 nonqualified withdrawal.

18          d. If a taxpayer elects to take a rollover on a  
19 contribution for which a deduction has been taken  
20 pursuant to subparagraph b of this paragraph within  
21 one (1) year of the date of contribution, the amount  
22 of such rollover shall be included in the adjusted  
23 gross income of the taxpayer in the taxable year of  
24 the rollover.

1 e. If a taxpayer makes a nonqualified withdrawal of  
2 contributions for which a deduction was taken pursuant  
3 to subparagraph b of this paragraph, such nonqualified  
4 withdrawal and any earnings thereon shall be included  
5 in the adjusted gross income of the taxpayer in the  
6 taxable year of the nonqualified withdrawal.

7 f. As used in this paragraph:

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

11 (a) a qualified withdrawal,

12 (b) a withdrawal made as a result of the death  
13 or disability of the designated beneficiary  
14 of an account,

15 (c) a withdrawal that is made on the account of  
16 a scholarship or the allowance or payment  
17 described in Section 135(d)(1)(B) or (C) or  
18 by the Internal Revenue Code of 1986, as  
19 amended, received by the designated

20 beneficiary to the extent the amount of the  
21 refund does not exceed the amount of the  
22 scholarship, allowance, or payment, or

23 (d) a rollover or change of designated  
24 beneficiary as permitted by subsection F of

1 Section 3970.7 of Title 70 of the Oklahoma  
2 Statutes, and

3 (2) "rollover" means the transfer of funds from the  
4 Oklahoma College Savings Plan to any other plan  
5 under Section 529 of the Internal Revenue Code of  
6 1986, as amended.

7 17. For tax years 2006 through 2021, retirement benefits  
8 received by an individual from any component of the Armed Forces of  
9 the United States in an amount not to exceed the greater of seventy-  
10 five percent (75%) of such benefits or Ten Thousand Dollars  
11 (\$10,000.00) shall be exempt from taxable income but in no case less  
12 than the amount of the exemption provided by paragraph 13 of this  
13 subsection. For tax year 2022 and subsequent tax years, retirement  
14 benefits received by an individual from any component of the Armed  
15 Forces of the United States shall be exempt from taxable income.

16 18. For taxable years beginning after December 31, 2006,  
17 retirement benefits received by federal civil service retirees,  
18 including survivor annuities, paid in lieu of Social Security  
19 benefits shall be exempt from taxable income to the extent such  
20 benefits are included in the federal adjusted gross income pursuant  
21 to the provisions of Section 86 of the Internal Revenue Code of  
22 1986, as amended, 26 U.S.C., Section 86, according to the following  
23 schedule:  
24

- 1 a. in the taxable year beginning January 1, 2007, twenty  
2 percent (20%) of such benefits shall be exempt,  
3 b. in the taxable year beginning January 1, 2008, forty  
4 percent (40%) of such benefits shall be exempt,  
5 c. in the taxable year beginning January 1, 2009, sixty  
6 percent (60%) of such benefits shall be exempt,  
7 d. in the taxable year beginning January 1, 2010, eighty  
8 percent (80%) of such benefits shall be exempt, and  
9 e. in the taxable year beginning January 1, 2011, and  
10 subsequent taxable years, one hundred percent (100%)  
11 of such benefits shall be exempt.

- 12 19. a. For taxable years beginning after December 31, 2007, a  
13 resident individual may deduct up to Ten Thousand  
14 Dollars (\$10,000.00) from Oklahoma adjusted gross  
15 income if the individual, or the dependent of the  
16 individual, while living, donates one or more human  
17 organs of the individual to another human being for  
18 human organ transplantation. As used in this  
19 paragraph, "human organ" means all or part of a liver,  
20 pancreas, kidney, intestine, lung, or bone marrow. A  
21 deduction that is claimed under this paragraph may be  
22 claimed in the taxable year in which the human organ  
23 transplantation occurs.  
24

1           b. An individual may claim this deduction only once, and  
2           the deduction may be claimed only for unreimbursed  
3           expenses that are incurred by the individual and  
4           related to the organ donation of the individual.

5           c. The Oklahoma Tax Commission shall promulgate rules to  
6           implement the provisions of this paragraph which shall  
7           contain a specific list of expenses which may be  
8           presumed to qualify for the deduction. The Tax  
9           Commission shall prescribe necessary requirements for  
10          verification.

11          20. For taxable years beginning after December 31, 2009, there  
12          shall be exempt from taxable income any amount received by the  
13          beneficiary of the death benefit for an emergency medical technician  
14          or a registered emergency medical responder provided by Section 1-  
15          2505.1 of Title 63 of the Oklahoma Statutes.

16          21. For taxable years beginning after December 31, 2008,  
17          taxable income shall be increased by any unemployment compensation  
18          exempted under Section 85(c) of the Internal Revenue Code of 1986,  
19          as amended, 26 U.S.C., Section 85(c) ~~(2009)~~.

20          22. For taxable years beginning after December 31, 2008, there  
21          shall be exempt from taxable income any payment in an amount less  
22          than Six Hundred Dollars (\$600.00) received by a person as an award  
23          for participation in a competitive livestock show event. For  
24          purposes of this paragraph, the payment shall be treated as a

1 scholarship amount paid by the entity sponsoring the event and the  
2 sponsoring entity shall cause the payment to be categorized as a  
3 scholarship in its books and records.

4 23. For taxable years beginning on or after January 1, 2016,  
5 taxable income shall be increased by any amount of state and local  
6 sales or income taxes deducted under 26 U.S.C., Section 164 of the  
7 Internal Revenue Code of 1986, as amended. If the amount of state  
8 and local taxes deducted on the federal return is limited, taxable  
9 income on the state return shall be increased only by the amount  
10 actually deducted after any such limitations are applied.

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

1 Provided, a deduction for the same contribution may not be taken in  
2 more than one (1) tax year.

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

8 2. As used in this subsection:

9 a. "qualifying gains receiving capital treatment" means  
10 the amount of net capital gains, as defined in Section  
11 1222(11) of the Internal Revenue Code of 1986, as  
12 amended, included in an individual taxpayer's federal  
13 income tax return that result from:

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

21 (2) the sale of stock or the sale of a direct or  
22 indirect ownership interest in an Oklahoma  
23 company, limited liability company, or  
24 partnership where such stock or ownership

1 interest has been directly or indirectly owned by  
2 the individual taxpayer for a holding period of  
3 at least two (2) years prior to the date of the  
4 transaction from which the net capital gains  
5 arise, or

6 (3) the sale of real property, tangible personal  
7 property or intangible personal property located  
8 within ~~Oklahoma~~ this state as part of the sale of  
9 all or substantially all of the assets of an  
10 Oklahoma company, limited liability company, or  
11 partnership or an Oklahoma proprietorship  
12 business enterprise where such property has been  
13 directly or indirectly owned by such entity or  
14 business enterprise or owned by the owners of  
15 such entity or business enterprise for a period  
16 of at least two (2) years prior to the date of  
17 the transaction from which the net capital gains  
18 arise,

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



1           asset pursuant to the Internal Revenue Code of 1986,  
2           as amended,

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

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

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

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

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

4 (2) With respect to sales of stock or ownership  
5 interest in or sales of all or substantially all  
6 of the assets of an Oklahoma company, limited  
7 liability company, partnership or Oklahoma  
8 proprietorship business enterprise, the deduction  
9 described in this subsection shall not apply  
10 unless the pass-through entity that makes the  
11 sale has held the stock or ownership interest for  
12 not less than two (2) uninterrupted years prior  
13 to the date of the transaction that created the  
14 capital gain, and each pass-through entity  
15 included in the chain of ownership has been a  
16 member, partner or shareholder of the pass-  
17 through entity in the tier immediately below it  
18 for an uninterrupted period of not less than two  
19 (2) years. For purposes of this division,  
20 uninterrupted ownership prior to July 1, 2007,  
21 shall be included in the determination of the  
22 required holding period prescribed by this  
23 division, and  
24

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

10 G. 1. For purposes of computing its Oklahoma taxable income  
11 under this section, the dividends-paid deduction otherwise allowed  
12 by federal law in computing net income of a real estate investment  
13 trust that is subject to federal income tax shall be added back in  
14 computing the tax imposed by this state under this title if the real  
15 estate investment trust is a captive real estate investment trust.

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

21 a. the term "real estate investment trust" or "REIT"  
22 means the meaning ascribed to such term in Section 856  
23 of the Internal Revenue Code of 1986, as amended,  
24

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

9                    (1)   treated as an association taxable as a  
10                        corporation under the Internal Revenue Code of  
11                        1986, as amended, and

12                    (2)   not exempt from federal income tax pursuant to  
13                        the provisions of Section 501(a) of the Internal  
14                        Revenue Code of 1986, as amended.

15           The term shall not include a real estate investment  
16           trust that is intended to be regularly traded on an  
17           established securities market, and that satisfies the  
18           requirements of Section 856(a) (5) and (6) of the U.S.  
19           Internal Revenue Code of 1986, as amended, by reason  
20           of Section 856(h) (2) of the Internal Revenue Code of  
21           1986, as amended,

22           c.    the term "association taxable as a corporation" shall  
23                    not include the following entities:  
24

- 1 (1) any real estate investment trust as defined in  
2 paragraph a of this subsection other than a  
3 ~~"captive real estate investment trust"~~ captive  
4 real estate investment trust,
- 5 (2) any qualified real estate investment trust  
6 subsidiary under Section 856(i) of the Internal  
7 Revenue Code of 1986, as amended, other than a  
8 qualified REIT subsidiary of a ~~"captive real~~  
9 ~~estate investment trust"~~ captive real estate  
10 investment trust,
- 11 (3) any ~~Listed Australian Property Trust~~ listed  
12 Australian property trust (meaning an Australian  
13 unit trust registered as a ~~"Managed Investment~~  
14 ~~Scheme"~~ "managed investment scheme" under the  
15 Australian Corporations Act 2001 in which the  
16 principal class of units is listed on a  
17 recognized stock exchange in Australia and is  
18 regularly traded on an established securities  
19 market), or an entity organized as a trust,  
20 provided that a ~~Listed Australian Property Trust~~  
21 listed Australian property trust owns or  
22 controls, directly or indirectly, seventy-five  
23 percent (75%) or more of the voting power or  
24

1 value of the beneficial interests or shares of  
2 such trust, or

3 (4) any ~~Qualified Foreign Entity~~ qualified foreign  
4 entity, meaning a corporation, trust, association  
5 or partnership organized outside the laws of the  
6 United States and which satisfies the following  
7 criteria:

8 (a) at least seventy-five percent (75%) of the  
9 entity's total asset value at the close of  
10 its taxable year is represented by real  
11 estate assets, as defined in Section  
12 856(c) (5) (B) of the Internal Revenue Code of  
13 1986, as amended, thereby including shares  
14 or certificates of beneficial interest in  
15 any real estate investment trust, cash and  
16 cash equivalents, and U.S. Government  
17 securities,

18 (b) the entity receives a dividend-paid  
19 deduction comparable to Section 561 of the  
20 Internal Revenue Code of 1986, as amended,  
21 or is exempt from entity level tax,

22 (c) the entity is required to distribute at  
23 least eighty-five percent (85%) of its  
24 taxable income, as computed in the

1 jurisdiction in which it is organized, to  
2 the holders of its shares or certificates of  
3 beneficial interest on an annual basis,

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

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

13 3. For purposes of this subsection, the constructive ownership  
14 rules of Section 318(a) of the Internal Revenue Code, as modified by  
15 Section 856(d) (5) of the Internal Revenue Code of 1986, as amended,  
16 shall apply in determining the ownership of stock, assets, or net  
17 profits of any person.

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

1 part year occurring during its initial year of status as a real  
2 estate investment trust. For purposes of this subsection, a real  
3 estate investment trust becomes a real estate investment trust on  
4 the first day it has both met the requirements of Section 856 of the  
5 Internal Revenue Code of 1986, as amended, and has elected to be  
6 treated as a real estate investment trust pursuant to Section  
7 856(c) (1) of the Internal Revenue Code of 1986, as amended.

8 SECTION 2. This act shall become effective November 1, 2025.

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