

1 STATE OF OKLAHOMA

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

3 COMMITTEE SUBSTITUTE

4 FOR

5 HOUSE BILL NO. 2740

By: Kendrix

6
7 COMMITTEE SUBSTITUTE

8 [revenue - taxation - rates - tax - income -
9 exemptions - deductions - effective date]

10
11
12 BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

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

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

22 1. METHOD 1.

23 a. Single individuals and married individuals filing
24 separately not deducting federal income tax:

- 1 (1) 1/2% tax on first \$1,000.00 or part thereof,
- 2 (2) 1% tax on next \$1,500.00 or part thereof,
- 3 (3) 2% tax on next \$1,250.00 or part thereof,
- 4 (4) 3% tax on next \$1,150.00 or part thereof,
- 5 (5) 4% tax on next \$1,300.00 or part thereof,
- 6 (6) 5% tax on next \$1,500.00 or part thereof,
- 7 (7) 6% tax on next \$2,300.00 or part thereof, and
- 8 (8) (a) for taxable years beginning after December
9 31, 1998, and before January 1, 2002, 6.75%
10 tax on the remainder,
11 (b) for taxable years beginning on or after
12 January 1, 2002, and before January 1, 2004,
13 7% tax on the remainder, and
14 (c) for taxable years beginning on or after
15 January 1, 2004, 6.65% tax on the remainder.

16 b. Married individuals filing jointly and surviving
17 spouse to the extent and in the manner that a
18 surviving spouse is permitted to file a joint return
19 under the provisions of the Internal Revenue Code and
20 heads of households as defined in the Internal Revenue
21 Code not deducting federal income tax:

- 22 (1) 1/2% tax on first \$2,000.00 or part thereof,
- 23 (2) 1% tax on next \$3,000.00 or part thereof,
- 24 (3) 2% tax on next \$2,500.00 or part thereof,

- 1 (4) 3% tax on next \$2,300.00 or part thereof,
2 (5) 4% tax on next \$2,400.00 or part thereof,
3 (6) 5% tax on next \$2,800.00 or part thereof,
4 (7) 6% tax on next \$6,000.00 or part thereof, and
5 (8) (a) for taxable years beginning after December
6 31, 1998, and before January 1, 2002, 6.75%
7 tax on the remainder,
8 (b) for taxable years beginning on or after
9 January 1, 2002, and before January 1, 2004,
10 7% tax on the remainder, and
11 (c) for taxable years beginning on or after
12 January 1, 2004, 6.65% tax on the remainder.

13 2. METHOD 2.

14 a. Single individuals and married individuals filing
15 separately deducting federal income tax:

- 16 (1) 1/2% tax on first \$1,000.00 or part thereof,
17 (2) 1% tax on next \$1,500.00 or part thereof,
18 (3) 2% tax on next \$1,250.00 or part thereof,
19 (4) 3% tax on next \$1,150.00 or part thereof,
20 (5) 4% tax on next \$1,200.00 or part thereof,
21 (6) 5% tax on next \$1,400.00 or part thereof,
22 (7) 6% tax on next \$1,500.00 or part thereof,
23 (8) 7% tax on next \$1,500.00 or part thereof,
24 (9) 8% tax on next \$2,000.00 or part thereof,

- 1 (10) 9% tax on next \$3,500.00 or part thereof, and
2 (11) 10% tax on the remainder.

3 b. Married individuals filing jointly and surviving
4 spouse to the extent and in the manner that a
5 surviving spouse is permitted to file a joint return
6 under the provisions of the Internal Revenue Code and
7 heads of households as defined in the Internal Revenue
8 Code deducting federal income tax:

- 9 (1) 1/2% tax on the first \$2,000.00 or part thereof,
10 (2) 1% tax on the next \$3,000.00 or part thereof,
11 (3) 2% tax on the next \$2,500.00 or part thereof,
12 (4) 3% tax on the next \$1,400.00 or part thereof,
13 (5) 4% tax on the next \$1,500.00 or part thereof,
14 (6) 5% tax on the next \$1,600.00 or part thereof,
15 (7) 6% tax on the next \$1,250.00 or part thereof,
16 (8) 7% tax on the next \$1,750.00 or part thereof,
17 (9) 8% tax on the next \$3,000.00 or part thereof,
18 (10) 9% tax on the next \$6,000.00 or part thereof, and
19 (11) 10% tax on the remainder.

20 B. Individuals. For all taxable years beginning on or after
21 January 1, 2008, and ending any tax year which begins after December
22 31, 2015, for which the determination required pursuant to Sections
23 4 and 5 of this act is made by the State Board of Equalization, a
24 tax is hereby imposed upon the Oklahoma taxable income of every

1 resident or nonresident individual, which tax shall be computed as
2 follows:

3 1. Single individuals and married individuals filing
4 separately:

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

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

7 (c) 2% tax on next \$1,250.00 or part thereof,

8 (d) 3% tax on next \$1,150.00 or part thereof,

9 (e) 4% tax on next \$2,300.00 or part thereof,

10 (f) 5% tax on next \$1,500.00 or part thereof,

11 (g) 5.50% tax on the remainder for the 2008 tax year and

12 any subsequent tax year unless the rate prescribed by

13 subparagraph (h) of this paragraph is in effect, and

14 (h) 5.25% tax on the remainder for the 2009 and subsequent

15 tax years. The decrease in the top marginal

16 individual income tax rate otherwise authorized by

17 this subparagraph shall be contingent upon the

18 determination required to be made by the State Board

19 of Equalization pursuant to Section 2355.1A of this

20 title.

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

4 (b) 1% tax on next \$3,000.00 or part thereof,

5 (c) 2% tax on next \$2,500.00 or part thereof,

6 (d) 3% tax on next \$2,300.00 or part thereof,

7 (e) 4% tax on next \$2,400.00 or part thereof,

8 (f) 5% tax on next \$2,800.00 or part thereof,

9 (g) 5.50% tax on the remainder for the 2008 tax year and
10 any subsequent tax year unless the rate prescribed by

11 subparagraph (h) of this paragraph is in effect, and

12 (h) 5.25% tax on the remainder for the 2009 and subsequent
13 tax years. The decrease in the top marginal

14 individual income tax rate otherwise authorized by

15 this subparagraph shall be contingent upon the

16 determination required to be made by the State Board
17 of Equalization pursuant to Section 2355.1A of this

18 title.

19 C. Individuals. For all taxable years beginning on or after

20 January 1, ~~2024~~ 2026, a tax is hereby imposed upon the Oklahoma

21 taxable income of every resident or nonresident individual, which

22 tax shall be computed as follows:

23 1. Single individuals and married individuals filing

24 separately;

- 1 ~~(a) 0.25% tax on first \$1,000.00 or part thereof,~~
2 ~~(b) 0.75% tax on next \$1,500.00 or part thereof,~~
3 ~~(c) 1.75% tax on next \$1,250.00 or part thereof,~~
4 ~~(d) 2.75% tax on next \$1,150.00 or part thereof,~~
5 ~~(e) 3.75% tax on next \$2,300.00 or part thereof,~~
6 ~~(f) 4.75% tax on the remainder~~ all Oklahoma taxable
7 income.

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

- 13 ~~(a) 0.25% tax on first \$2,000.00 or part thereof,~~
14 ~~(b) 0.75% tax on next \$3,000.00 or part thereof,~~
15 ~~(c) 1.75% tax on next \$2,500.00 or part thereof,~~
16 ~~(d) 2.75% tax on next \$2,300.00 or part thereof,~~
17 ~~(e) 3.75% tax on next \$4,600.00 or part thereof,~~
18 ~~(f) 4.75% tax on the remainder~~ all Oklahoma taxable
19 income.

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

22 D. Nonresident aliens. In lieu of the rates set forth in
23 subsection A above, there shall be imposed on nonresident aliens, as
24 defined in the Internal Revenue Code, a tax of eight percent (8%)

1 instead of thirty percent (30%) as used in the Internal Revenue
2 Code, with respect to the Oklahoma taxable income of such
3 nonresident aliens as determined under the provision of the Oklahoma
4 Income Tax Act.

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

24

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

6 There shall be no additional Oklahoma income tax imposed on
7 accumulated taxable income or on undistributed personal holding
8 company income as those terms are defined in the Internal Revenue
9 Code.

10 F. Certain foreign corporations. In lieu of the tax imposed ~~in~~
11 ~~the first paragraph of subsection D of~~ by this section, for all
12 taxable years beginning after December 31, 2021, there shall be
13 imposed on foreign corporations, as defined in the Internal Revenue
14 Code, a tax of four percent (4%) instead of thirty percent (30%) as
15 used in the Internal Revenue Code, where such income is received
16 from sources within Oklahoma, in accordance with the provisions of
17 the Internal Revenue Code and the Oklahoma Income Tax Act.

18 Every payer of amounts covered by this subsection shall deduct
19 and withhold from such amounts paid each payee an amount equal to
20 four percent (4%) thereof. Every payer required to deduct and
21 withhold taxes under this subsection shall for each quarterly period
22 on or before the last day of the month following the close of each
23 such quarterly period, pay over the amount so withheld as taxes to
24 the Tax Commission, and shall file a return with each such payment.

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

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

18 H. Tax rate tables. For all taxable years beginning after
19 December 31, 1991, in lieu of the tax imposed by subsection A, B or
20 C of this section, as applicable there is hereby imposed for each
21 taxable year on the taxable income of every individual, whose
22 taxable income for such taxable year does not exceed the ceiling
23 amount, a tax determined under tables, applicable to such taxable
24 year which shall be prescribed by the Tax Commission and which shall

1 be in such form as it determines appropriate. In the table so
2 prescribed, the amounts of the tax shall be computed on the basis of
3 the rates prescribed by subsection A, B or C of this section. For
4 purposes of this subsection, the term "ceiling amount" means, with
5 respect to any taxpayer, the amount determined by the Tax Commission
6 for the tax rate category in which such taxpayer falls.

7 SECTION 2. AMENDATORY 68 O.S. 2021, Section 2358, as
8 last amended by Section 2, Chapter 277, O.S.L. 2024 (68 O.S. Supp.
9 2024, Section 2358), is amended to read as follows:

10 Section 2358. For all tax years beginning after December 31,
11 1981, taxable income and adjusted gross income shall be adjusted to
12 arrive at Oklahoma taxable income and Oklahoma adjusted gross income
13 as required by this section.

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

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

22 2. There shall be deducted amounts included in such income that
23 the state is prohibited from taxing because of the provisions of the
24

1 Federal Constitution, the State Constitution, federal laws or laws
2 of Oklahoma.

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

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

14 b. For carryovers and carrybacks to taxable years
15 beginning after December 31, 1980, the amount of any
16 net operating loss deduction allowed for the taxable
17 year shall be an amount equal to the aggregate of the
18 Oklahoma net operating loss carryovers and carrybacks
19 to such year. Oklahoma net operating losses shall be
20 separately determined by reference to Section 172 of
21 the Internal Revenue Code, 26 U.S.C., Section 172, as
22 modified by the Oklahoma Income Tax Act, Section 2351
23 et seq. of this title, and shall be allowed without
24 regard to the existence of a federal net operating

1 loss. For tax years beginning after December 31,
2 2000, and ending before January 1, 2008, the years to
3 which such losses may be carried shall be determined
4 solely by reference to Section 172 of the Internal
5 Revenue Code, 26 U.S.C., Section 172, with the
6 exception that the terms "net operating loss" and
7 "taxable income" shall be replaced with "Oklahoma net
8 operating loss" and "Oklahoma taxable income". For
9 tax years beginning after December 31, 2007, and
10 ending before January 1, 2009, years to which such
11 losses may be carried back shall be limited to two (2)
12 years. For tax years beginning after December 31,
13 2008, the years to which such losses may be carried
14 back shall be determined solely by reference to
15 Section 172 of the Internal Revenue Code, 26 U.S.C.,
16 Section 172, with the exception that the terms "net
17 operating loss" and "taxable income" shall be replaced
18 with "Oklahoma net operating loss" and "Oklahoma
19 taxable income".

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

1 a. Income from real and tangible personal property, such
2 as rents, oil and mining production or royalties, and
3 gains or losses from sales of such property, shall be
4 allocated in accordance with the situs of such
5 property;

6 b. Income from intangible personal property, such as
7 interest, dividends, patent or copyright royalties,
8 and gains or losses from sales of such property, shall
9 be allocated in accordance with the domiciliary situs
10 of the taxpayer, except that:

11 (1) where such property has acquired a nonunitary
12 business or commercial situs apart from the
13 domicile of the taxpayer such income shall be
14 allocated in accordance with such business or
15 commercial situs; interest income from
16 investments held to generate working capital for
17 a unitary business enterprise shall be included
18 in apportionable income; a resident trust or
19 resident estate shall be treated as having a
20 separate commercial or business situs insofar as
21 undistributed income is concerned, but shall not
22 be treated as having a separate commercial or
23 business situs insofar as distributed income is
24 concerned,

1 (2) for taxable years beginning after December 31,
2 2003, capital or ordinary gains or losses from
3 the sale of an ownership interest in a publicly
4 traded partnership, as defined by Section 7704(b)
5 of the Internal Revenue Code, shall be allocated
6 to this state in the ratio of the original cost
7 of such partnership's tangible property in this
8 state to the original cost of such partnership's
9 tangible property everywhere, as determined at
10 the time of the sale; if more than fifty percent
11 (50%) of the value of the partnership's assets
12 consists of intangible assets, capital or
13 ordinary gains or losses from the sale of an
14 ownership interest in the partnership shall be
15 allocated to this state in accordance with the
16 sales factor of the partnership for its first
17 full tax period immediately preceding its tax
18 period during which the ownership interest in the
19 partnership was sold; the provisions of this
20 division shall only apply if the capital or
21 ordinary gains or losses from the sale of an
22 ownership interest in a partnership do not
23 constitute qualifying gain receiving capital
24

1 treatment as defined in subparagraph a of
2 paragraph 2 of subsection F of this section,
3 (3) income from such property which is required to be
4 allocated pursuant to the provisions of paragraph
5 5 of this subsection shall be allocated as herein
6 provided;

7 c. Net income or loss from a business activity which is
8 not a part of business carried on within or without
9 the state of a unitary character shall be separately
10 allocated to the state in which such activity is
11 conducted;

12 d. In the case of a manufacturing or processing
13 enterprise the business of which in this state
14 consists solely of marketing its products by:

15 (1) sales having a situs without this state, shipped
16 directly to a point from without the state to a
17 purchaser within the state, commonly known as
18 interstate sales,

19 (2) sales of the product stored in public warehouses
20 within the state pursuant to "in transit"
21 tariffs, as prescribed and allowed by the
22 Interstate Commerce Commission, to a purchaser
23 within the state,
24

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

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

17 e. In the case of insurance companies, Oklahoma taxable
18 income shall be taxable income of the taxpayer for
19 federal tax purposes, as adjusted for the adjustments
20 provided pursuant to the provisions of paragraphs 1
21 and 2 of this subsection, apportioned as follows:

22 (1) except as otherwise provided by division (2) of
23 this subparagraph, taxable income of an insurance
24 company for a taxable year shall be apportioned

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

16 (2) if the principal source of premiums written by an
17 insurance company consists of premiums for
18 reinsurance accepted by it, the taxable income of
19 such company shall be apportioned to this state
20 by multiplying such income by a fraction, the
21 numerator of which is the sum of (a) direct
22 premiums written for insurance on property or
23 risks in this state, plus (b) premiums written
24 for reinsurance accepted in respect of property

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

22 5. The net income or loss remaining after the separate
23 allocation in paragraph 4 of this subsection, being that which is
24 derived from a unitary business enterprise, shall be apportioned to

1 this state on the basis of the arithmetical average of three factors
2 consisting of property, payroll and sales or gross revenue
3 enumerated as subparagraphs a, b and c of this paragraph. Net
4 income or loss as used in this paragraph includes that derived from
5 patent or copyright royalties, purchase discounts, and interest on
6 accounts receivable relating to or arising from a business activity,
7 the income from which is apportioned pursuant to this subsection,
8 including the sale or other disposition of such property and any
9 other property used in the unitary enterprise. Deductions used in
10 computing such net income or loss shall not include taxes based on
11 or measured by income. Provided, for corporations whose property
12 for purposes of the tax imposed by Section 2355 of this title has an
13 initial investment cost equaling or exceeding Two Hundred Million
14 Dollars (\$200,000,000.00) and such investment is made on or after
15 July 1, 1997, or for corporations which expand their property or
16 facilities in this state and such expansion has an investment cost
17 equaling or exceeding Two Hundred Million Dollars (\$200,000,000.00)
18 over a period not to exceed three (3) years, and such expansion is
19 commenced on or after January 1, 2000, the three factors shall be
20 apportioned with property and payroll, each comprising twenty-five
21 percent (25%) of the apportionment factor and sales comprising fifty
22 percent (50%) of the apportionment factor. The apportionment
23 factors shall be computed as follows:

24

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

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

20 (2) Property owned by the taxpayer is valued at its
21 original cost. Property rented by the taxpayer
22 is valued at eight times the net annual rental
23 rate. Net annual rental rate is the annual
24 rental rate paid by the taxpayer, less any annual

1 rental rate received by the taxpayer from
2 subrentals,

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

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

19 (1) In the case of a transportation enterprise, the
20 numerator of the fraction shall include a portion
21 of such expenditure in connection with employees
22 operating equipment over a fixed route, such as
23 railroad employees, airline pilots, or bus
24 drivers, in this state only a part of the time,

1 in the proportion that mileage traveled in this
2 state bears to total mileage traveled by such
3 employees,

4 (2) In any case the numerator of the fraction shall
5 include a portion of such expenditures in
6 connection with itinerant employees, such as
7 traveling salespersons, in this state only a part
8 of the time, in the proportion that time spent in
9 this state bears to total time spent in
10 furtherance of the enterprise by such employees;

11 c. The sales factor is a fraction, the numerator of which
12 is the total sales or gross revenue of the taxpayer in
13 this state during the tax period, and the denominator
14 of which is the total sales or gross revenue of the
15 taxpayer everywhere during the tax period. "Sales",
16 as used in this subsection, does not include sales or
17 gross revenue which are separately allocated in
18 paragraph 4 of this subsection.

19 (1) Sales of tangible personal property have a situs
20 in this state if the property is delivered or
21 shipped to a purchaser other than the United
22 States government, within this state regardless
23 of the FOB point or other conditions of the sale;
24 or the property is shipped from an office, store,

1 warehouse, factory or other place of storage in
2 this state and (a) the purchaser is the United
3 States government or (b) the taxpayer is not
4 doing business in the state of the destination of
5 the shipment.

6 (2) In the case of a railroad or interurban railway
7 enterprise, the numerator of the fraction shall
8 not be less than the allocation of revenues to
9 this state as shown in its annual report to the
10 Corporation Commission.

11 (3) In the case of an airline, truck or bus
12 enterprise or freight car, tank car, refrigerator
13 car or other railroad equipment enterprise, the
14 numerator of the fraction shall include a portion
15 of revenue from interstate transportation in the
16 proportion that interstate mileage traveled in
17 this state bears to total interstate mileage
18 traveled.

19 (4) In the case of an oil, gasoline or gas pipeline
20 enterprise, the numerator of the fraction shall
21 be either the total of traffic units of the
22 enterprise within this state or the revenue
23 allocated to this state based upon miles moved,
24 at the option of the taxpayer, and the

1 denominator of which shall be the total of
2 traffic units of the enterprise or the revenue of
3 the enterprise everywhere as appropriate to the
4 numerator. A "traffic unit" is hereby defined as
5 the transportation for a distance of one (1) mile
6 of one (1) barrel of oil, one (1) gallon of
7 gasoline or one thousand (1,000) cubic feet of
8 natural or casinghead gas, as the case may be.

9 (5) In the case of a telephone or telegraph or other
10 communication enterprise, the numerator of the
11 fraction shall include that portion of the
12 interstate revenue as is allocated pursuant to
13 the accounting procedures prescribed by the
14 Federal Communications Commission; provided that
15 in respect to each corporation or business entity
16 required by the Federal Communications Commission
17 to keep its books and records in accordance with
18 a uniform system of accounts prescribed by such
19 Commission, the intrastate net income shall be
20 determined separately in the manner provided by
21 such uniform system of accounts and only the
22 interstate income shall be subject to allocation
23 pursuant to the provisions of this subsection.
24 Provided further, that the gross revenue factors

1 shall be those as are determined pursuant to the
2 accounting procedures prescribed by the Federal
3 Communications Commission.

4 In any case where the apportionment of the three factors
5 prescribed in this paragraph attributes to this state a portion of
6 net income of the enterprise out of all appropriate proportion to
7 the property owned and/or business transacted within this state,
8 because of the fact that one or more of the factors so prescribed
9 are not employed to any appreciable extent in furtherance of the
10 enterprise; or because one or more factors not so prescribed are
11 employed to a considerable extent in furtherance of the enterprise;
12 or because of other reasons, the Tax Commission is empowered to
13 permit, after a showing by taxpayer that an excessive portion of net
14 income has been attributed to this state, or require, when in its
15 judgment an insufficient portion of net income has been attributed
16 to this state, the elimination, substitution, or use of additional
17 factors, or reduction or increase in the weight of such prescribed
18 factors. Provided, however, that any such variance from such
19 prescribed factors which has the effect of increasing the portion of
20 net income attributable to this state must not be inherently
21 arbitrary, and application of the recomputed final apportionment to
22 the net income of the enterprise must attribute to this state only a
23 reasonable portion thereof.

1 6. For calendar years 1997 and 1998, the owner of a new or
2 expanded agricultural commodity processing facility in this state
3 may exclude from Oklahoma taxable income, or in the case of an
4 individual, the Oklahoma adjusted gross income, fifteen percent
5 (15%) of the investment by the owner in the new or expanded
6 agricultural commodity processing facility. For calendar year 1999,
7 and all subsequent years, the percentage, not to exceed fifteen
8 percent (15%), available to the owner of a new or expanded
9 agricultural commodity processing facility in this state claiming
10 the exemption shall be adjusted annually so that the total estimated
11 reduction in tax liability does not exceed One Million Dollars
12 (\$1,000,000.00) annually. The Tax Commission shall promulgate rules
13 for determining the percentage of the investment which each eligible
14 taxpayer may exclude. The exclusion provided by this paragraph
15 shall be taken in the taxable year when the investment is made. In
16 the event the total reduction in tax liability authorized by this
17 paragraph exceeds One Million Dollars (\$1,000,000.00) in any
18 calendar year, the Tax Commission shall permit any excess over One
19 Million Dollars (\$1,000,000.00) and shall factor such excess into
20 the percentage for subsequent years. Any amount of the exemption
21 permitted to be excluded pursuant to the provisions of this
22 paragraph but not used in any year may be carried forward as an
23 exemption from income pursuant to the provisions of this paragraph
24

1 for a period not exceeding six (6) years following the year in which
2 the investment was originally made.

3 For purposes of this paragraph:

4 a. "Agricultural commodity processing facility" means
5 buildings, structures, fixtures and improvements used
6 or operated primarily for the processing or production
7 of marketable products from agricultural commodities.
8 The term shall also mean a dairy operation that
9 requires a depreciable investment of at least Two
10 Hundred Fifty Thousand Dollars (\$250,000.00) and which
11 produces milk from dairy cows. The term does not
12 include a facility that provides only, and nothing
13 more than, storage, cleaning, drying or transportation
14 of agricultural commodities, and

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

17 (1) the processing of agricultural commodities,
18 including receiving or storing agricultural
19 commodities, or the production of milk at a dairy
20 operation,

21 (2) transporting the agricultural commodities or
22 product before, during or after the processing,
23 or

24

1 (3) packaging or otherwise preparing the product for
2 sale or shipment.

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

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

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

15 8. In taxable years beginning after December 31, 1995, all
16 qualified wages equal to the federal income tax credit set forth in
17 26 U.S.C.A., Section 45A, shall be deducted from taxable income.
18 The deduction allowed pursuant to this paragraph shall only be
19 permitted for the tax years in which the federal tax credit pursuant
20 to 26 U.S.C.A., Section 45A, is allowed. For purposes of this
21 paragraph, "qualified wages" means those wages used to calculate the
22 federal credit pursuant to 26 U.S.C.A., Section 45A.

23 9. In taxable years beginning after December 31, 2005, an
24 employer that is eligible for and utilizes the Safety Pays OSHA

1 Consultation Service provided by the Oklahoma Department of Labor
2 shall receive an exemption from taxable income in the amount of One
3 Thousand Dollars (\$1,000.00) for the tax year that the service is
4 utilized.

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

15 11. For taxable years beginning on or after January 1, 2019,
16 there shall be subtracted from Oklahoma taxable income or adjusted
17 gross income any item of income or gain, and there shall be added to
18 Oklahoma taxable income or adjusted gross income any item of loss or
19 deduction that in the absence of an election pursuant to the
20 provisions of the Pass-Through Entity Tax Equity Act of 2019 would
21 be allocated to a member or to an indirect member of an electing
22 pass-through entity pursuant to Section 2351 et seq. of this title,
23 if (i) the electing pass-through entity has accounted for such item
24 in computing its Oklahoma net entity income or loss pursuant to the

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

13 B. 1. The taxable income of any corporation shall be further
14 adjusted to arrive at Oklahoma taxable income, except those
15 corporations electing treatment as provided in subchapter S of the
16 Internal Revenue Code, 26 U.S.C., Section 1361 et seq., and Section
17 2365 of this title, deductions pursuant to the provisions of the
18 Accelerated Cost Recovery System as defined and allowed in the
19 Economic Recovery Tax Act of 1981, Public Law 97-34, 26 U.S.C.,
20 Section 168, for depreciation of assets placed into service after
21 December 31, 1981, shall not be allowed in calculating Oklahoma
22 taxable income. Such corporations shall be allowed a deduction for
23 depreciation of assets placed into service after December 31, 1981,
24 in accordance with provisions of the Internal Revenue Code, 26

1 U.S.C., Section 1 et seq., in effect immediately prior to the
2 enactment of the Accelerated Cost Recovery System. The Oklahoma tax
3 basis for all such assets placed into service after December 31,
4 1981, calculated in this section shall be retained and utilized for
5 all Oklahoma income tax purposes through the final disposition of
6 such assets.

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

12 For assets placed in service and held by a corporation in which
13 the Accelerated Cost Recovery System was previously disallowed, an
14 adjustment to taxable income is required in the first taxable year
15 beginning after December 31, 1982, to reconcile the basis of such
16 assets to the basis allowed in the Internal Revenue Code. The
17 purpose of this adjustment is to equalize the basis and allowance
18 for depreciation accounts between that reported to the Internal
19 Revenue Service and that reported to this state.

20 2. For tax years beginning on or after January 1, 2009, and
21 ending on or before December 31, 2009, there shall be added to
22 Oklahoma taxable income any amount in excess of One Hundred Seventy-
23 five Thousand Dollars (\$175,000.00) which has been deducted as a
24

1 small business expense under Internal Revenue Code, Section 179 as
2 provided in the American Recovery and Reinvestment Act of 2009.

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

17 2. For purposes of this subsection:

18 a. "Qualified small business" means an entity, whether
19 organized as a corporation, partnership, or
20 proprietorship, organized for profit with its
21 principal place of business located within this state
22 and which meets the following criteria:

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

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

4 (3) Not a subsidiary or affiliate of the transferor
5 corporation;

6 b. "Technology" means a proprietary process, formula,
7 pattern, device or compilation of scientific or
8 technical information which is not in the public
9 domain;

10 c. "Transferor corporation" means a corporation which is
11 the exclusive and undisputed owner of the technology
12 at the time the transfer is made; and

13 d. "Gross proceeds" means the total amount of
14 consideration for the transfer of technology, whether
15 the consideration is in money or otherwise.

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

24 2. As used in this subsection:

1 a. "qualifying gains receiving capital treatment" means
2 the amount of net capital gains, as defined in Section
3 1222(11) of the Internal Revenue Code, included in the
4 federal income tax return of the corporation, estate
5 or trust that result from:

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

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

21 (3) the sale of real property, tangible personal
22 property or intangible personal property located
23 within this state as part of the sale of all or
24 substantially all of the assets of an Oklahoma

1 company, limited liability company, or
2 partnership where such property has been directly
3 or indirectly owned by such entity owned by the
4 owners of such entity, and used in or derived
5 from such entity for a period of at least three
6 (3) years prior to the date of the transaction
7 from which the net capital gains arise,

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

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

20 d. "direct" means the taxpayer directly owns the asset,
21 and

22 e. "indirect" means the taxpayer owns an interest in a
23 pass-through entity (or chain of pass-through
24

1 entities) that sells the asset that gives rise to the
2 qualifying gains receiving capital treatment.

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

16 (2) With respect to sales of stock or ownership
17 interest in or sales of all or substantially all
18 of the assets of an Oklahoma company, limited
19 liability company, or partnership, the deduction
20 described in this subsection shall not apply
21 unless the pass-through entity that makes the
22 sale has held the stock or ownership interest or
23 the assets for not less than three (3)
24 uninterrupted years prior to the date of the

1 transaction that created the capital gain, and
2 each pass-through entity included in the chain of
3 ownership has been a member, partner or
4 shareholder of the pass-through entity in the
5 tier immediately below it for an uninterrupted
6 period of not less than three (3) years.

7 E. The Oklahoma adjusted gross income of any individual
8 taxpayer shall be further adjusted as follows to arrive at Oklahoma
9 taxable income:

- 10 1. a. ~~In the case of individuals, there shall be added or~~
11 ~~deducted, as the case may be, the difference necessary~~
12 ~~to allow personal exemptions of One Thousand Dollars~~
13 ~~(\$1,000.00) in lieu of the personal exemptions allowed~~
14 ~~by the Internal Revenue Code.~~
- 15 b. ~~There shall be allowed an additional exemption of One~~
16 ~~Thousand Dollars (\$1,000.00) for each taxpayer or~~
17 ~~spouse who is blind at the close of the tax year. For~~
18 ~~purposes of this subparagraph, an individual is blind~~
19 ~~only if the central visual acuity of the individual~~
20 ~~does not exceed 20/200 in the better eye with~~
21 ~~correcting lenses, or if the visual acuity of the~~
22 ~~individual is greater than 20/200, but is accompanied~~
23 ~~by a limitation in the fields of vision such that the~~

1 ~~widest diameter of the visual field subtends an angle~~
2 ~~no greater than twenty (20) degrees.~~

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

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

13 ~~(2) Twelve Thousand Five Hundred Dollars (\$12,500.00)~~
14 ~~if married and filing separately;~~

15 ~~(3) Fifteen Thousand Dollars (\$15,000.00) if single;~~
16 ~~and~~

17 ~~(4) Nineteen Thousand Dollars (\$19,000.00) if a~~
18 ~~qualifying head of household.~~

19 ~~Provided, for taxable years beginning after December~~
20 ~~31, 1999, amounts included in the calculation of~~
21 ~~federal adjusted gross income pursuant to the~~
22 ~~conversion of a traditional individual retirement~~
23 ~~account to a Roth individual retirement account shall~~
24 ~~be excluded from federal adjusted gross income for~~

1 ~~purposes of the income thresholds provided in this~~
2 ~~subparagraph.~~

3 ~~2.~~ a. For taxable years beginning on or before December 31,
4 2005, in the case of individuals who use the standard
5 deduction in determining taxable income, there shall
6 be added or deducted, as the case may be, the
7 difference necessary to allow a standard deduction in
8 lieu of the standard deduction allowed by the Internal
9 Revenue Code, in an amount equal to the larger of
10 fifteen percent (15%) of the Oklahoma adjusted gross
11 income or One Thousand Dollars (\$1,000.00), but not to
12 exceed Two Thousand Dollars (\$2,000.00), except that
13 in the case of a married individual filing a separate
14 return such deduction shall be the larger of fifteen
15 percent (15%) of such Oklahoma adjusted gross income
16 or Five Hundred Dollars (\$500.00), but not to exceed
17 the maximum amount of One Thousand Dollars
18 (\$1,000.00).

19 b. For taxable years beginning on or after January 1,
20 2006, and before January 1, 2007, in the case of
21 individuals who use the standard deduction in
22 determining taxable income, there shall be added or
23 deducted, as the case may be, the difference necessary
24 to allow a standard deduction in lieu of the standard

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

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

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

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

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

18 (2) Four Thousand One Hundred Twenty-five Dollars
19 (\$4,125.00) for a head of household; or

20 (3) Two Thousand Seven Hundred Fifty Dollars
21 (\$2,750.00), if the filing status is single or
22 married filing separate.

23 d. For the taxable year beginning on January 1, 2008, and
24 ending December 31, 2008, in the case of individuals

1 who use the standard deduction in determining taxable
2 income, there shall be added or deducted, as the case
3 may be, the difference necessary to allow a standard
4 deduction in lieu of the standard deduction allowed by
5 the Internal Revenue Code, in an amount equal to:

- 6 (1) Six Thousand Five Hundred Dollars (\$6,500.00), if
7 the filing status is married filing joint or
8 qualifying widow, or
9 (2) Four Thousand Eight Hundred Seventy-five Dollars
10 (\$4,875.00) for a head of household, or
11 (3) Three Thousand Two Hundred Fifty Dollars
12 (\$3,250.00), if the filing status is single or
13 married filing separate.

14 e. For the taxable year beginning on January 1, 2009, and
15 ending December 31, 2009, in the case of individuals
16 who use the standard deduction in determining taxable
17 income, there shall be added or deducted, as the case
18 may be, the difference necessary to allow a standard
19 deduction in lieu of the standard deduction allowed by
20 the Internal Revenue Code, in an amount equal to:

- 21 (1) Eight Thousand Five Hundred Dollars (\$8,500.00),
22 if the filing status is married filing joint or
23 qualifying widow, or
24

- 1 (2) Six Thousand Three Hundred Seventy-five Dollars
2 (\$6,375.00) for a head of household, or
3 (3) Four Thousand Two Hundred Fifty Dollars
4 (\$4,250.00), if the filing status is single or
5 married filing separate.

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

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

19 g. For taxable years beginning on or after January 1,
20 2017, and ending not later than December 31, 2025, in
21 the case of individuals who use the standard deduction
22 in determining taxable income, there shall be added or
23 deducted, as the case may be, the difference necessary
24 to allow a standard deduction in lieu of the standard

1 deduction allowed by the Internal Revenue Code, as
2 follows:

3 (1) Six Thousand Three Hundred Fifty Dollars
4 (\$6,350.00) for single or married filing
5 separately,

6 (2) Twelve Thousand Seven Hundred Dollars
7 (\$12,700.00) for married filing jointly or
8 qualifying widower with dependent child, and

9 (3) Nine Thousand Three Hundred Fifty Dollars
10 (\$9,350.00) for head of household.

11 h. For taxable years beginning on or after January 1,
12 2026, in the case of individuals who use the standard
13 deduction in determining taxable income, there shall
14 be added or deducted, as the case may be, the
15 difference necessary to allow a standard deduction in
16 lieu of the standard deduction allowed by the Internal
17 Revenue Code, as follows:

18 (1) Thirteen Thousand Five Hundred Fifty Dollars
19 (\$13,550.00) for single or married filing
20 separately,

21 (2) Twenty-seven Thousand One Hundred Dollars
22 (\$27,100.00) for married filing jointly or
23 qualifying widower with dependent child, and
24

1 (3) Twenty Thousand Three Hundred Twenty-five Dollars
2 (\$20,325.00) for head of household.

3 ~~3.~~

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

20 b. For taxable years beginning on or after January 1,
21 2018, the net amount of itemized deductions allowable
22 on an Oklahoma income tax return, subject to the
23 provisions of paragraph 24 of this subsection, shall
24 not exceed Seventeen Thousand Dollars (\$17,000.00).

1 For purposes of this subparagraph, charitable
2 contributions and medical expenses deductible for
3 federal income tax purposes shall be excluded from the
4 amount of Seventeen Thousand Dollars (\$17,000.00) as
5 specified by this subparagraph.

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

18 ~~5.~~

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

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

7 c. Whenever the filing of a timely income tax return by a
8 member of the Armed Forces of the United States is
9 made impracticable or impossible of accomplishment by
10 reason of:

11 (1) absence from the United States, which term
12 includes only the states and the District of
13 Columbia;

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

15 (3) confinement in a hospital within the United
16 States for treatment of wounds, injuries or
17 disease,

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

22 (a) Such individual shall return to the United
23 States if the extension is granted pursuant
24 to subparagraph a of this paragraph, return

1 to this state if the extension is granted
2 pursuant to subparagraph b of this paragraph
3 or be discharged from such hospital if the
4 extension is granted pursuant to
5 subparagraph c of this paragraph; or

6 (b) An executor, administrator, or conservator
7 of the estate of the taxpayer is appointed,
8 whichever event occurs the earliest.

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

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

1 ~~7.~~

2 6.

3 a. An individual taxpayer, whether resident or
4 nonresident, may deduct an amount equal to the federal
5 income taxes paid by the taxpayer during the taxable
6 year.

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

16 c. For the purpose of this paragraph, "federal income
17 taxes paid" shall mean federal income taxes, surtaxes
18 imposed on incomes or excess profits taxes, as though
19 the taxpayer was on the accrual basis. In determining
20 the amount of deduction for federal income taxes for
21 tax year 2001, the amount of the deduction shall not
22 be adjusted by the amount of any accelerated ten
23 percent (10%) tax rate bracket credit or advanced
24 refund of the credit received during the tax year
 provided pursuant to the federal Economic Growth and

1 Tax Relief Reconciliation Act of 2001, P.L. No. 107-
2 16, and the advanced refund of such credit shall not
3 be subject to taxation.

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

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

1 ~~9.~~ 8. In taxable years beginning after December 31, 1984,
2 Social Security benefits received by an individual shall be exempt
3 from taxable income, to the extent such benefits are included in the
4 federal adjusted gross income pursuant to the provisions of Section
5 86 of the Internal Revenue Code, 26 U.S.C., Section 86.

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

20 ~~11.~~ 10. In taxable years beginning after December 31, 1995,
21 contributions made to and interest received from a medical savings
22 account established pursuant to Sections 2621 through 2623 of Title
23 63 of the Oklahoma Statutes shall be exempt from taxable income.

24

1 ~~12.~~ 11. For taxable years beginning after December 31, 1996,
2 the Oklahoma adjusted gross income of any individual taxpayer who is
3 a swine or poultry producer may be further adjusted for the
4 deduction for depreciation allowed for new construction or expansion
5 costs which may be computed using the same depreciation method
6 elected for federal income tax purposes except that the useful life
7 shall be seven (7) years for purposes of this paragraph. If
8 depreciation is allowed as a deduction in determining the adjusted
9 gross income of an individual, any depreciation calculated and
10 claimed pursuant to this section shall in no event be a duplication
11 of any depreciation allowed or permitted on the federal income tax
12 return of the individual.

13 ~~13.~~

14 12. a. In taxable years beginning after December 31, 2002,
15 nonrecurring adoption expenses paid by a resident
16 individual taxpayer in connection with:
17 (1) the adoption of a minor, or
18 (2) a proposed adoption of a minor which did not
19 result in a decreed adoption,
20 may be deducted from the Oklahoma adjusted gross
21 income.
22 b. The deductions for adoptions and proposed adoptions
23 authorized by this paragraph shall not exceed Twenty
24 Thousand Dollars (\$20,000.00) per calendar year.

1 c. The Tax Commission shall promulgate rules to implement
2 the provisions of this paragraph which shall contain a
3 specific list of nonrecurring adoption expenses which
4 may be presumed to qualify for the deduction. The Tax
5 Commission shall prescribe necessary requirements for
6 verification.

7 d. "Nonrecurring adoption expenses" means adoption fees,
8 court costs, medical expenses, attorney fees and
9 expenses which are directly related to the legal
10 process of adoption of a child including, but not
11 limited to, costs relating to the adoption study,
12 health and psychological examinations, transportation
13 and reasonable costs of lodging and food for the child
14 or adoptive parents which are incurred to complete the
15 adoption process and are not reimbursed by other
16 sources. The term nonrecurring adoption expenses
17 shall not include attorney fees incurred for the
18 purpose of litigating a contested adoption, from and
19 after the point of the initiation of the contest,
20 costs associated with physical remodeling, renovation
21 and alteration of the adoptive parents' home or
22 property, except for a special needs child as
23 authorized by the court.

24 ~~14.~~

1 13. a. In taxable years beginning before January 1, 2005,
2 retirement benefits not to exceed the amounts
3 specified in this paragraph, which are received by an
4 individual sixty-five (65) years of age or older and
5 whose Oklahoma adjusted gross income is Twenty-five
6 Thousand Dollars (\$25,000.00) or less if the filing
7 status is single, head of household, or married filing
8 separate, or Fifty Thousand Dollars (\$50,000.00) or
9 less if the filing status is married filing joint or
10 qualifying widow, shall be exempt from taxable income.
11 In taxable years beginning after December 31, 2004,
12 retirement benefits not to exceed the amounts
13 specified in this paragraph, which are received by an
14 individual whose Oklahoma adjusted gross income is
15 less than the qualifying amount specified in this
16 paragraph, shall be exempt from taxable income.

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

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

- 1 Dollars (\$75,000.00) or less if the filing status
2 is married filing jointly or qualifying widow,
3 (2) in the taxable year beginning January 1, 2007,
4 the qualifying amount shall be Fifty Thousand
5 Dollars (\$50,000.00) or less if the filing status
6 is single, head of household, or married filing
7 separate, or One Hundred Thousand Dollars
8 (\$100,000.00) or less if the filing status is
9 married filing jointly or qualifying widow,
10 (3) in the taxable year beginning January 1, 2008,
11 the qualifying amount shall be Sixty-two Thousand
12 Five Hundred Dollars (\$62,500.00) or less if the
13 filing status is single, head of household, or
14 married filing separate, or One Hundred Twenty-
15 five Thousand Dollars (\$125,000.00) or less if
16 the filing status is married filing jointly or
17 qualifying widow,
18 (4) in the taxable year beginning January 1, 2009,
19 the qualifying amount shall be One Hundred
20 Thousand Dollars (\$100,000.00) or less if the
21 filing status is single, head of household, or
22 married filing separate, or Two Hundred Thousand
23 Dollars (\$200,000.00) or less if the filing
24

1 status is married filing jointly or qualifying
2 widow, and

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

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

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

12 (2) an eligible deferred compensation plan that
13 satisfies the requirements of Section 457 of the
14 Internal Revenue Code, 26 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, 26 U.S.C., Section 408,

19 (4) an employee annuity subject to the provisions of
20 Section 403(a) or (b) of the Internal Revenue
21 Code, 26 U.S.C., Section 403(a) or (b),

22 (5) United States Retirement Bonds which satisfy the
23 requirements of Section 86 of the Internal
24 Revenue Code, 26 U.S.C., Section 86, or

1 (6) lump-sum distributions from a retirement plan
2 which satisfies the requirements of Section
3 402(e) of the Internal Revenue Code, 26 U.S.C.,
4 Section 402(e).

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

20 ~~15.~~ 14. In taxable years beginning after December 31, 1999, for
21 an individual engaged in production agriculture who has filed a
22 Schedule F form with the taxpayer's federal income tax return for
23 such taxable year, there shall be excluded from taxable income any
24 amount which was included as federal taxable income or federal

1 adjusted gross income and which consists of the discharge of an
2 obligation by a creditor of the taxpayer incurred to finance the
3 production of agricultural products.

4 ~~16.~~ 15. In taxable years beginning December 31, 2000, an amount
5 equal to one hundred percent (100%) of the amount of any scholarship
6 or stipend received from participation in the Oklahoma Police Corps
7 Program, as established in Section 2-140.3 of Title 47 of the
8 Oklahoma Statutes shall be exempt from taxable income.

9 ~~17.~~

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

19 b. In taxable years beginning after December 31, 2004,
20 each taxpayer shall be allowed a deduction for
21 contributions to accounts established pursuant to the
22 Oklahoma College Savings Plan Act. The maximum annual
23 deduction shall equal the amount of contributions to
24 all such accounts plus any contributions to such

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

18 c. In taxable years beginning after December 31, 2006,
19 deductions for contributions made pursuant to
20 subparagraph b of this paragraph shall be limited as
21 follows:

22 (1) for a taxpayer who qualified for the five-year
23 carryforward election and who takes a rollover or
24 nonqualified withdrawal during that period, the

1 tax deduction otherwise available pursuant to
2 subparagraph b of this paragraph shall be reduced
3 by the amount which is equal to the rollover or
4 nonqualified withdrawal, and

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

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

20 e. If a taxpayer makes a nonqualified withdrawal of
21 contributions for which a deduction was taken pursuant
22 to subparagraph b of this paragraph, such nonqualified
23 withdrawal and any earnings thereon shall be included
24

1 in the adjusted gross income of the taxpayer in the
2 taxable year of the nonqualified withdrawal.

3 f. As used in this paragraph:

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

7 (a) a qualified withdrawal,

8 (b) a withdrawal made as a result of the death
9 or disability of the designated beneficiary
10 of an account,

11 (c) a withdrawal that is made on the account of
12 a scholarship or the allowance or payment
13 described in Section 135(d)(1)(B) or (C) or
14 by the Internal Revenue Code, received by
15 the designated beneficiary to the extent the
16 amount of the refund does not exceed the
17 amount of the scholarship, allowance, or
18 payment, or

19 (d) a rollover or change of designated
20 beneficiary as permitted by subsection F of
21 Section 3970.7 of Title 70 of the Oklahoma
22 Statutes, and

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

4 ~~18.~~ 17. For tax years 2006 through 2021, retirement benefits
5 received by an individual from any component of the Armed Forces of
6 the United States in an amount not to exceed the greater of seventy-
7 five percent (75%) of such benefits or Ten Thousand Dollars
8 (\$10,000.00) shall be exempt from taxable income but in no case less
9 than the amount of the exemption provided by paragraph 14 of this
10 subsection. For tax year 2022 and subsequent tax years, retirement
11 benefits received by an individual from any component of the Armed
12 Forces of the United States shall be exempt from taxable income.

13 ~~19.~~ 18. For taxable years beginning after December 31, 2006,
14 retirement benefits received by federal civil service retirees,
15 including survivor annuities, paid in lieu of Social Security
16 benefits shall be exempt from taxable income to the extent such
17 benefits are included in the federal adjusted gross income pursuant
18 to the provisions of Section 86 of the Internal Revenue Code, 26
19 U.S.C., Section 86, according to the following schedule:

- 20 a. in the taxable year beginning January 1, 2007, twenty
21 percent (20%) of such benefits shall be exempt,
22 b. in the taxable year beginning January 1, 2008, forty
23 percent (40%) of such benefits shall be exempt,
24

- 1 c. in the taxable year beginning January 1, 2009, sixty
2 percent (60%) of such benefits shall be exempt,
3 d. in the taxable year beginning January 1, 2010, eighty
4 percent (80%) of such benefits shall be exempt, and
5 e. in the taxable year beginning January 1, 2011, and
6 subsequent taxable years, one hundred percent (100%)
7 of such benefits shall be exempt.

8 ~~20.~~

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

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

7 ~~21.~~ 20. For taxable years beginning after December 31, 2009,
8 there shall be exempt from taxable income any amount received by the
9 beneficiary of the death benefit for an emergency medical technician
10 or a registered emergency medical responder provided by Section 1-
11 2505.1 of Title 63 of the Oklahoma Statutes.

12 ~~22.~~ 21. For taxable years beginning after December 31, 2008,
13 taxable income shall be increased by any unemployment compensation
14 exempted under Section 85(c) of the Internal Revenue Code, 26
15 U.S.C., Section 85(c) (2009).

16 ~~23.~~ 22. For taxable years beginning after December 31, 2008,
17 there shall be exempt from taxable income any payment in an amount
18 less than Six Hundred Dollars (\$600.00) received by a person as an
19 award for participation in a competitive livestock show event. For
20 purposes of this paragraph, the payment shall be treated as a
21 scholarship amount paid by the entity sponsoring the event and the
22 sponsoring entity shall cause the payment to be categorized as a
23 scholarship in its books and records.

1 ~~24.~~ 23. For taxable years beginning on or after January 1,
2 2016, taxable income shall be increased by any amount of state and
3 local sales or income taxes deducted under 26 U.S.C., Section 164 of
4 the Internal Revenue Code. If the amount of state and local taxes
5 deducted on the federal return is limited, taxable income on the
6 state return shall be increased only by the amount actually deducted
7 after any such limitations are applied.

8 ~~25.~~ 24. For taxable years beginning after December 31, 2020,
9 each taxpayer shall be allowed a deduction for contributions to
10 accounts established pursuant to the Achieving a Better Life
11 Experience (ABLE) Program as established in Section 4001.1 et seq.
12 of Title 56 of the Oklahoma Statutes. For any tax year, the
13 deduction provided for in this paragraph shall not exceed Ten
14 Thousand Dollars (\$10,000.00) for an individual taxpayer or Twenty
15 Thousand Dollars (\$20,000.00) for taxpayers filing a joint return.
16 Any amount of contribution not deducted by the taxpayer in the tax
17 year for which the contribution is made may be carried forward as a
18 deduction from income for up to five (5) tax years. Deductions may
19 be taken for contributions made during the tax year and through
20 April 15 of the succeeding tax year, or through the due date of a
21 taxpayer's state income tax return excluding extensions, whichever
22 is later. Provided, a deduction for the same contribution may not
23 be taken in more than one (1) tax year.

24

1 ~~26.~~ 25. For tax year 2024 and subsequent tax years, tax credits
2 received pursuant to the Oklahoma Parental Choice Tax Credit Act in
3 Section 28-101 of Title 70 of the Oklahoma Statutes shall be exempt
4 from taxable income.

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

10 2. As used in this subsection:

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

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

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

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

7 (3) the sale of real property, tangible personal
8 property or intangible personal property located
9 within this state as part of the sale of all or
10 substantially all of the assets of an Oklahoma
11 company, limited liability company, or
12 partnership or an Oklahoma proprietorship
13 business enterprise where such property has been
14 directly or indirectly owned by such entity or
15 business enterprise or owned by the owners of
16 such entity or business enterprise for a period
17 of at least two (2) years prior to the date of
18 the transaction from which the net capital gains
19 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 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 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, 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 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,
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, and
11 (2) not exempt from federal income tax pursuant to
12 the provisions of Section 501(a) of the Internal
13 Revenue Code.

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

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

- 22 (1) any real estate investment trust as defined in
23 paragraph a of this subsection other than a
24 captive real estate investment trust, or

1 (2) any qualified real estate investment trust
2 subsidiary under Section 856(i) of the Internal
3 Revenue Code, other than a qualified REIT
4 subsidiary of a captive real estate investment
5 trust, or

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

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

22 (a) at least seventy-five percent (75%) of the
23 entity's total asset value at the close of
24 its taxable year is represented by real

1 estate assets, as defined in Section
2 856(c)(5)(B) of the Internal Revenue Code,
3 thereby including shares or certificates of
4 beneficial interest in any real estate
5 investment trust, cash and cash equivalents,
6 and U.S. Government securities,

7 (b) the entity receives a dividend-paid
8 deduction comparable to Section 561 of the
9 Internal Revenue Code, or is exempt from
10 entity level tax,

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

17 (d) not more than ten percent (10%) of the
18 voting power or value in such entity is held
19 directly or indirectly or constructively by
20 a single entity or individual, or the shares
21 or beneficial interests of such entity are
22 regularly traded on an established
23 securities market, and
24

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

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

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

22 SECTION 3. This act shall become effective January 1, 2026.
23

24 60-1-13260 JM 03/06/25

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