

1 ENGROSSED SENATE
2 BILL NO. 299

By: Rader of the Senate

3 and

4 Kendrix of the House

5
6 [income tax - adjustments - apportionment factor -
7 effective date]
8

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

10 SECTION 1. AMENDATORY 68 O.S. 2021, Section 2358, as
11 last amended by Section 155, Chapter 452, O.S.L. 2024 (68 O.S. Supp.
12 2024, Section 2358), is amended to read as follows:

13 Section 2358. For all tax years beginning after December 31,
14 1981, taxable income and adjusted gross income shall be adjusted to
15 arrive at Oklahoma taxable income and Oklahoma adjusted gross income
16 as required by this section.

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

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

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

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

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

16 b. For carryovers and carrybacks to taxable years
17 beginning after December 31, 1980, the amount of any
18 net operating loss deduction allowed for the taxable
19 year shall be an amount equal to the aggregate of the
20 Oklahoma net operating loss carryovers and carrybacks
21 to such year. Oklahoma net operating losses shall be
22 separately determined by reference to Section 172 of
23 the Internal Revenue Code of 1986, as amended, 26
24 U.S.C., Section 172, as modified by the Oklahoma

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

23 4. Items of the following nature shall be allocated as
24 indicated. Allowable deductions attributable to items separately

1 allocable in subparagraphs a, b and c of this paragraph, whether or
2 not such items of income were actually received, shall be allocated
3 on the same basis as those items:

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

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

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

1 be treated as having a separate commercial or
2 business situs insofar as distributed income is
3 concerned,

4 (2) for taxable years beginning after December 31,
5 2003, capital or ordinary gains or losses from
6 the sale of an ownership interest in a publicly
7 traded partnership, as defined by Section 7704(b)
8 of the Internal Revenue Code of 1986, as amended,
9 shall be allocated to this state in the ratio of
10 the original cost of such partnership's tangible
11 property in this state to the original cost of
12 such partnership's tangible property everywhere,
13 as determined at the time of the sale; if more
14 than fifty percent (50%) of the value of the
15 partnership's assets consists of intangible
16 assets, capital or ordinary gains or losses from
17 the sale of an ownership interest in the
18 partnership shall be allocated to this state in
19 accordance with the sales factor of the
20 partnership for its first full tax period
21 immediately preceding its tax period during which
22 the ownership interest in the partnership was
23 sold; the provisions of this division shall only
24 apply if the capital or ordinary gains or losses

1 from the sale of an ownership interest in a
2 partnership do not constitute qualifying gain
3 receiving capital treatment as defined in
4 subparagraph a of paragraph 2 of subsection F of
5 this section,

6 (3) income from such property which is required to be
7 allocated pursuant to the provisions of paragraph
8 5 of this subsection shall be allocated as herein
9 provided;

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

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

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

22 (2) sales of the product stored in public warehouses
23 within the state pursuant to "in transit"
24 tariffs, as prescribed and allowed by the

1 Interstate Commerce Commission, to a purchaser
2 within the state,

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

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

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

24

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

19 (2) if the principal source of premiums written by an
20 insurance company consists of premiums for
21 reinsurance accepted by it, the taxable income of
22 such company shall be apportioned to this state
23 by multiplying such income by a fraction, the
24 numerator of which is the sum of (a) direct

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

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

1 percent (50%) of the apportionment factor. The apportionment
2 factors shall be computed as follows:

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

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

23 (2) Property owned by the taxpayer is valued at its
24 original cost. Property rented by the taxpayer

1 is valued at eight times the net annual rental
2 rate. Net annual rental rate is the annual
3 rental rate paid by the taxpayer, less any annual
4 rental rate received by the taxpayer from
5 subrentals,

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

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

22 (1) In the case of a transportation enterprise, the
23 numerator of the fraction shall include a portion
24 of such expenditure in connection with employees

1 operating equipment over a fixed route, such as
2 railroad employees, airline pilots, or bus
3 drivers, in this state only a part of the time,
4 in the proportion that mileage traveled in
5 ~~Oklahoma~~ this state bears to total mileage
6 traveled by such employees,

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

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

22 (1) Sales of tangible personal property have a situs
23 in this state if the property is delivered or
24 shipped to a purchaser other than the United

1 States government, within this state regardless
2 of the ~~FOB~~ Freight on Board (FOB) point or other
3 conditions of the sale; or the property is
4 shipped from an office, store, warehouse,
5 factory, or other place of storage in this state
6 and ~~(a)~~ the purchaser is the United States
7 government or ~~(b)~~, for tax year 2025 and previous
8 tax years, the taxpayer is not doing business in
9 the state of the destination of the shipment.

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

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

23 (4) In the case of an oil, gasoline or gas pipeline
24 enterprise, the numerator of the fraction shall

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

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

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

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

1 of increasing the portion of net income attributable to ~~Oklahoma~~
2 this state must not be inherently arbitrary, and application of the
3 recomputed final apportionment to the net income of the enterprise
4 must attribute to ~~Oklahoma~~ this state only a reasonable portion
5 thereof.

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

1 the percentage for subsequent years. Any amount of the exemption
2 permitted to be excluded pursuant to the provisions of this
3 paragraph but not used in any year may be carried forward as an
4 exemption from income pursuant to the provisions of this paragraph
5 for a period not exceeding six (6) years following the year in which
6 the investment was originally made.

7 For purposes of this paragraph:

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

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

4 (3) packaging or otherwise preparing the product for
5 sale or shipment.

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

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

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

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

1 paragraph, "qualified wages" means those wages used to calculate the
2 federal credit pursuant to 26 U.S.C.A., Section 45A.

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

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

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

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

17 B. 1. The taxable income of any corporation shall be further
18 adjusted to arrive at Oklahoma taxable income, except those
19 corporations electing treatment as provided in subchapter S of the
20 Internal Revenue Code of 1986, as amended, 26 U.S.C., Section 1361
21 et seq., and Section 2365 of this title, deductions pursuant to the
22 provisions of the Accelerated Cost Recovery System as ~~defined~~
23 provided and allowed in the Economic Recovery Tax Act of 1981,
24 Public Law 97-34, 26 U.S.C., Section 168, for depreciation of assets

1 placed into service after December 31, 1981, shall not be allowed in
2 calculating Oklahoma taxable income. Such corporations shall be
3 allowed a deduction for depreciation of assets placed into service
4 after December 31, 1981, in accordance with provisions of the
5 Internal Revenue Code of 1986, as amended, 26 U.S.C., Section 1 et
6 seq., in effect immediately prior to the enactment of the
7 Accelerated Cost Recovery System. The Oklahoma tax basis for all
8 such assets placed into service after December 31, 1981, calculated
9 in this section shall be retained and utilized for all Oklahoma
10 income tax purposes through the final disposition of such assets.

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

16 For assets placed in service and held by a corporation in which
17 ~~accelerated cost recovery system~~ the Accelerated Cost Recovery
18 System was previously disallowed, an adjustment to taxable income is
19 required in the first taxable year beginning after December 31,
20 1982, to reconcile the basis of such assets to the basis allowed in
21 the Internal Revenue Code of 1986, as amended. The purpose of this
22 adjustment is to equalize the basis and allowance for depreciation
23 accounts between that reported to the Internal Revenue Service and
24 that reported to ~~Oklahoma~~ this state.

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

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

22 2. For purposes of this subsection:

23 a. "Qualified small business" means an entity, whether
24 organized as a corporation, partnership, or

1 proprietorship, organized for profit with its
2 principal place of business located within this state
3 and which meets the following criteria:

- 4 (1) Capitalization of not more than Two Hundred Fifty
5 Thousand Dollars (\$250,000.00),
6 (2) Having at least fifty percent (50%) of its
7 employees and assets located in ~~Oklahoma~~ this
8 state at the time of the transfer, and
9 (3) Not a subsidiary or affiliate of the transferor
10 corporation;

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

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

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

21 D. 1. For taxable years beginning after December 31, 2005, the
22 taxable income of any corporation, estate or trust, shall be further
23 adjusted for qualifying gains receiving capital treatment. Such
24 corporations, estates or trusts shall be allowed a deduction from

1 Oklahoma taxable income for the amount of qualifying gains receiving
2 capital treatment earned by the corporation, estate or trust during
3 the taxable year and included in the federal taxable income of such
4 corporation, estate or trust.

5 2. As used in this subsection:

6 a. "qualifying gains receiving capital treatment" means
7 the amount of net capital gains, as defined in Section
8 1222(11) of the Internal Revenue Code of 1986, as
9 amended, included in the federal income tax return of
10 the corporation, estate or trust that result from:

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

18 (2) the sale of stock or on the sale of an ownership
19 interest in an Oklahoma company, limited
20 liability company, or partnership where such
21 stock or ownership interest has been directly or
22 indirectly owned by the corporation, estate or
23 trust for a holding period of at least three (3)

24

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

14 b. "holding period" means an uninterrupted period of
15 time. The holding period shall include any additional
16 period when the property was held by another
17 individual or entity, if such additional period is
18 included in the taxpayer's holding period for the
19 asset pursuant to the Internal Revenue Code of 1986,
20 as amended,

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

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

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

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

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

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

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

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

16 1. a. In the case of individuals, there shall be added or
17 deducted, as the case may be, the difference necessary
18 to allow personal exemptions of One Thousand Dollars
19 (\$1,000.00) in lieu of the personal exemptions allowed
20 by the Internal Revenue Code of 1986, as amended.

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

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

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

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

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

- 9 2. a. For taxable years beginning on or before December 31,
10 2005, in the case of individuals who use the standard
11 deduction in determining taxable income, there shall
12 be added or deducted, as the case may be, the
13 difference necessary to allow a standard deduction in
14 lieu of the standard deduction allowed by the Internal
15 Revenue Code of 1986, as amended, in an amount equal
16 to the larger of fifteen percent (15%) of the Oklahoma
17 adjusted gross income or One Thousand Dollars
18 (\$1,000.00), but not to exceed Two Thousand Dollars
19 (\$2,000.00), except that in the case of a married
20 individual filing a separate return such deduction
21 shall be the larger of fifteen percent (15%) of such
22 Oklahoma adjusted gross income or Five Hundred Dollars
23 (\$500.00), but not to exceed the maximum amount of One
24 Thousand Dollars (\$1,000.00).

1 b. For taxable years beginning on or after January 1,
2 2006, and before January 1, 2007, in the case of
3 individuals who use the standard deduction in
4 determining taxable income, there shall be added or
5 deducted, as the case may be, the difference necessary
6 to allow a standard deduction in lieu of the standard
7 deduction allowed by the Internal Revenue Code of
8 1986, as amended, in an amount equal to:

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

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

14 c. For the taxable year beginning on January 1, 2007, and
15 ending December 31, 2007, in the case of individuals
16 who use the standard deduction in determining taxable
17 income, there shall be added or deducted, as the case
18 may be, the difference necessary to allow a standard
19 deduction in lieu of the standard deduction allowed by
20 the Internal Revenue Code of 1986, as amended, in an
21 amount equal to:

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

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

6 d. For the taxable year beginning on January 1, 2008, and
7 ending December 31, 2008, in the case of individuals
8 who use the standard deduction in determining taxable
9 income, there shall be added or deducted, as the case
10 may be, the difference necessary to allow a standard
11 deduction in lieu of the standard deduction allowed by
12 the Internal Revenue Code of 1986, as amended, in an
13 amount equal to:

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

22 e. For the taxable year beginning on January 1, 2009, and
23 ending December 31, 2009, in the case of individuals
24 who use the standard deduction in determining taxable

1 income, there shall be added or deducted, as the case
2 may be, the difference necessary to allow a standard
3 deduction in lieu of the standard deduction allowed by
4 the Internal Revenue Code of 1986, as amended, in an
5 amount equal to:

- 6 (1) Eight Thousand Five Hundred Dollars (\$8,500.00),
7 if the filing status is married filing joint or
8 qualifying widow,
9 (2) Six Thousand Three Hundred Seventy-five Dollars
10 (\$6,375.00) for a head of household, or
11 (3) Four Thousand Two Hundred Fifty Dollars
12 (\$4,250.00), if the filing status is single or
13 married filing separate.

14 Oklahoma adjusted gross income shall be increased by
15 any amounts paid for motor vehicle excise taxes which
16 were deducted as allowed by the Internal Revenue Code
17 of 1986, as amended.

- 18 f. For taxable years beginning on or after January 1,
19 2010, and ending on December 31, 2016, in the case of
20 individuals who use the standard deduction in
21 determining taxable income, there shall be added or
22 deducted, as the case may be, the difference necessary
23 to allow a standard deduction equal to the standard
24 deduction allowed by the Internal Revenue Code of

1 1986, as amended, based upon the amount and filing
2 status prescribed by such Code for purposes of filing
3 federal individual income tax returns.

4 g. For taxable years beginning on or after January 1,
5 2017, in the case of individuals who use the standard
6 deduction in determining taxable income, there shall
7 be added or deducted, as the case may be, the
8 difference necessary to allow a standard deduction in
9 lieu of the standard deduction allowed by the Internal
10 Revenue Code of 1986, as amended, as follows:

11 (1) Six Thousand Three Hundred Fifty Dollars
12 (\$6,350.00) for single or married filing
13 separately,

14 (2) Twelve Thousand Seven Hundred Dollars
15 (\$12,700.00) for married filing jointly or
16 qualifying widower with dependent child, and

17 (3) Nine Thousand Three Hundred Fifty Dollars
18 (\$9,350.00) for head of household.

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

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

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

21 4. A resident individual with a physical disability
22 constituting a substantial handicap to employment may deduct from
23 Oklahoma adjusted gross income such expenditures to modify a motor
24 vehicle, home or workplace as are necessary to compensate for his or

1 her handicap. A veteran certified by the United States Department
2 of Veterans Affairs of the federal government as having a service-
3 connected disability shall be conclusively presumed to be an
4 individual with a physical disability constituting a substantial
5 handicap to employment. The Tax Commission shall promulgate rules
6 containing a list of combinations of common disabilities and
7 modifications which may be presumed to qualify for this deduction.
8 The Tax Commission shall prescribe necessary requirements for
9 verification.

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

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

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

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

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

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

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

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

15 (a) Such individual shall return to the United
16 States if the extension is granted pursuant
17 to ~~subparagraph a~~ division 1 of this
18 ~~paragraph~~ subparagraph, return to ~~the State~~
19 ~~of Oklahoma~~ this state if the extension is
20 granted pursuant to ~~subparagraph b~~ division
21 2 of this ~~paragraph~~ subparagraph or be
22 discharged from such hospital if the
23 extension is granted pursuant to
24

1 income taxes paid by the taxpayer during the taxable
2 year.

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

12 c. For the purpose of this paragraph, "federal income
13 taxes paid" shall mean federal income taxes, surtaxes
14 imposed on incomes or excess profits taxes, as though
15 the taxpayer was on the accrual basis. In determining
16 the amount of deduction for federal income taxes for
17 tax year 2001, the amount of the deduction shall not
18 be adjusted by the amount of any accelerated ten
19 percent (10%) tax rate bracket credit or advanced
20 refund of the credit received during the tax year
21 provided pursuant to the federal Economic Growth and
22 Tax Relief Reconciliation Act of 2001, P.L. No. 107-
23 16, and the advanced refund of such credit shall not
24 be subject to taxation.

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

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

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

1 86 of the Internal Revenue Code of 1986, as amended, 26 U.S.C.,
2 Section 86.

3 10. For taxable years beginning after December 31, 1994, lump-
4 sum distributions from employer plans of deferred compensation,
5 which are not qualified plans within the meaning of Section 401(a)
6 of the Internal Revenue Code of 1986, as amended, 26 U.S.C., Section
7 401(a), and which are deposited in and accounted for within a
8 separate bank account or brokerage account in a financial
9 institution within this state, shall be excluded from taxable income
10 in the same manner as a qualifying rollover contribution to an
11 individual retirement account within the meaning of Section 408 of
12 the Internal Revenue Code of 1986, as amended, 26 U.S.C., Section
13 408. Amounts withdrawn from such bank or brokerage account,
14 including any earnings thereon, shall be included in taxable income
15 when withdrawn in the same manner as withdrawals from individual
16 retirement accounts within the meaning of Section 408 of the
17 Internal Revenue Code of 1986, as amended.

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

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

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

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

1 less than the qualifying amount specified in this
2 paragraph, shall be exempt from taxable income.

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

5 (1) in taxable years beginning after December 31,
6 2004, and prior to January 1, 2007, the
7 qualifying amount shall be Thirty-seven Thousand
8 Five Hundred Dollars (\$37,500.00) or less if the
9 filing status is single, head of household, or
10 married filing separate, or Seventy-five Thousand
11 Dollars (\$75,000.00) or less if the filing status
12 is married filing jointly or qualifying widow,

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

20 (3) in the taxable year beginning January 1, 2008,
21 the qualifying amount shall be Sixty-two Thousand
22 Five Hundred Dollars (\$62,500.00) or less if the
23 filing status is single, head of household, or
24 married filing separate, or One Hundred Twenty-

1 five Thousand Dollars (\$125,000.00) or less if
2 the filing status is married filing jointly or
3 qualifying widow,

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

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

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

18 (1) an employee pension benefit plan which satisfies
19 the requirements of Section 401 of the Internal
20 Revenue Code of 1986, as amended, 26 U.S.C.,
21 Section 401,

22 (2) an eligible deferred compensation plan that
23 satisfies the requirements of Section 457 of the
24

1 Internal Revenue Code of 1986, as amended, 26
2 U.S.C., Section 457,

3 (3) an individual retirement account, annuity or
4 trust or simplified employee pension that
5 satisfies the requirements of Section 408 of the
6 Internal Revenue Code of 1986, as amended, 26
7 U.S.C., Section 408,

8 (4) an employee annuity subject to the provisions of
9 Section 403(a) or (b) of the Internal Revenue
10 Code of 1986, as amended, 26 U.S.C., Section
11 403(a) or (b),

12 (5) United States Retirement Bonds which satisfy the
13 requirements of Section 86 of the Internal
14 Revenue Code of 1986, as amended, 26 U.S.C.,
15 Section 86, or

16 (6) lump-sum distributions from a retirement plan
17 which satisfies the requirements of Section
18 402(e) of the Internal Revenue Code of 1986, as
19 amended, 26 U.S.C., Section 402(e).

20 d. The amount of the exemption provided by this paragraph
21 shall be limited to Five Thousand Five Hundred Dollars
22 (\$5,500.00) for the 2004 tax year, Seven Thousand Five
23 Hundred Dollars (\$7,500.00) for the 2005 tax year and
24 Ten Thousand Dollars (\$10,000.00) for the tax year

1 2006 and for all subsequent tax years. Any individual
2 who claims the exemption provided for in paragraph 8
3 of this subsection shall not be permitted to claim a
4 combined total exemption pursuant to this paragraph
5 and paragraph 8 of this subsection in an amount
6 exceeding 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 2006 tax
10 year and all subsequent tax years.

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

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

1 16. a. In taxable years beginning after December 31, 2001,
2 and before January 1, 2005, there shall be allowed a
3 deduction in the amount of contributions to accounts
4 established pursuant to the Oklahoma College Savings
5 Plan Act. The deduction shall equal the amount of
6 contributions to accounts, but in no event shall the
7 deduction for each contributor exceed Two Thousand
8 Five Hundred Dollars (\$2,500.00) each taxable year for
9 each account.

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

1 succeeding five (5) years. For taxable years
2 beginning after December 31, 2005, deductions may be
3 taken for contributions and rollovers made during a
4 taxable year and up to April 15 of the succeeding
5 year, or the due date of a taxpayer's state income tax
6 return, excluding extensions, whichever is later.
7 Provided, a deduction for the same contribution may
8 not be taken for two (2) different taxable years.

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

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

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

1 paragraph shall be reduced by the amount of the
2 contribution which is equal to the rollover or
3 nonqualified withdrawal.

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

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

17 f. As used in this paragraph:

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

21 (a) a qualified withdrawal,

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

1 (c) a withdrawal that is made on the account of
2 a scholarship or the allowance or payment
3 described in Section 135(d)(1)(B) or (C) or
4 by the Internal Revenue Code of 1986, as
5 amended, received by the designated
6 beneficiary to the extent the amount of the
7 refund does not exceed the amount of the
8 scholarship, allowance, or payment, or

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

13 (2) "rollover" means the transfer of funds from the
14 Oklahoma College Savings Plan to any other plan
15 under Section 529 of the Internal Revenue Code of
16 1986, as amended.

17 17. For tax years 2006 through 2021, retirement benefits
18 received by an individual from any component of the Armed Forces of
19 the United States in an amount not to exceed the greater of seventy-
20 five percent (75%) of such benefits or Ten Thousand Dollars
21 (\$10,000.00) shall be exempt from taxable income but in no case less
22 than the amount of the exemption provided by paragraph 13 of this
23 subsection. For tax year 2022 and subsequent tax years, retirement
24

1 benefits received by an individual from any component of the Armed
2 Forces of the United States shall be exempt from taxable income.

3 18. For taxable years beginning after December 31, 2006,
4 retirement benefits received by federal civil service retirees,
5 including survivor annuities, paid in lieu of Social Security
6 benefits shall be exempt from taxable income to the extent such
7 benefits are included in the federal adjusted gross income pursuant
8 to the provisions of Section 86 of the Internal Revenue Code of
9 1986, as amended, 26 U.S.C., Section 86, according to the following
10 schedule:

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

22 19. a. For taxable years beginning after December 31, 2007, a
23 resident individual may deduct up to Ten Thousand
24 Dollars (\$10,000.00) from Oklahoma adjusted gross

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

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

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

20 20. For taxable years beginning after December 31, 2009, there
21 shall be exempt from taxable income any amount received by the
22 beneficiary of the death benefit for an emergency medical technician
23 or a registered emergency medical responder provided by Section 1-
24 2505.1 of Title 63 of the Oklahoma Statutes.

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

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

13 23. For taxable years beginning on or after January 1, 2016,
14 taxable income shall be increased by any amount of state and local
15 sales or income taxes deducted under 26 U.S.C., Section 164 of the
16 Internal Revenue Code of 1986, as amended. If the amount of state
17 and local taxes deducted on the federal return is limited, taxable
18 income on the state return shall be increased only by the amount
19 actually deducted after any such limitations are applied.

20 24. For taxable years beginning after December 31, 2020, each
21 taxpayer shall be allowed a deduction for contributions to accounts
22 established pursuant to the Achieving a Better Life Experience
23 (ABLE) ~~Program~~ program as established in Section 4001.1 et seq. of
24 Title 56 of the Oklahoma Statutes. For any tax year, the deduction

1 provided for in this paragraph shall not exceed Ten Thousand Dollars
2 (\$10,000.00) for an individual taxpayer or Twenty Thousand Dollars
3 (\$20,000.00) for taxpayers filing a joint return. Any amount of
4 contribution not deducted by the taxpayer in the tax year for which
5 the contribution is made may be carried forward as a deduction from
6 income for up to five (5) tax years. Deductions may be taken for
7 contributions made during the tax year and through April 15 of the
8 succeeding tax year, or through the due date of a taxpayer's state
9 income tax return excluding extensions, whichever is later.
10 Provided, a deduction for the same contribution may not be taken in
11 more than one (1) tax year.

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

17 2. As used in this subsection:

18 a. "qualifying gains receiving capital treatment" means
19 the amount of net capital gains, as defined in Section
20 1222(11) of the Internal Revenue Code of 1986, as
21 amended, included in an individual taxpayer's federal
22 income tax return that result from:

23 (1) the sale of real property or tangible personal
24 property located within ~~Oklahoma~~ this state that

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4 a. the term "real estate investment trust" or "REIT"
5 means the meaning ascribed to such term in Section 856
6 of the Internal Revenue Code of 1986, as amended,

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

15 (1) treated as an association taxable as a
16 corporation under the Internal Revenue Code of
17 1986, as amended, and

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

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

1 Internal Revenue Code of 1986, as amended, by reason
2 of Section 856(h) (2) of the Internal Revenue Code of
3 1986, as amended,

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

6 (1) any real estate investment trust as defined in
7 paragraph a of this subsection other than a
8 ~~"captive real estate investment trust"~~ captive
9 real estate investment trust,

10 (2) any qualified real estate investment trust
11 subsidiary under Section 856(i) of the Internal
12 Revenue Code of 1986, as amended, other than a
13 qualified REIT subsidiary of a ~~"captive real~~
14 ~~estate investment trust"~~ captive real estate
15 investment trust,

16 (3) any ~~Listed Australian Property Trust~~ listed
17 Australian property trust (meaning an Australian
18 unit trust registered as a ~~"Managed Investment~~
19 ~~Scheme"~~ "managed investment scheme" under the
20 Australian Corporations Act 2001 in which the
21 principal class of units is listed on a
22 recognized stock exchange in Australia and is
23 regularly traded on an established securities
24 market), or an entity organized as a trust,

1 provided that a ~~Listed Australian Property Trust~~
2 listed Australian property trust owns or
3 controls, directly or indirectly, seventy-five
4 percent (75%) or more of the voting power or
5 value of the beneficial interests or shares of
6 such trust, or

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

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

22 (b) the entity receives a dividend-paid
23 deduction comparable to Section 561 of the
24

1 Internal Revenue Code of 1986, as amended,
2 or is exempt from entity level tax,

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

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

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

18 3. For purposes of this subsection, the constructive ownership
19 rules of Section 318(a) of the Internal Revenue Code, as modified by
20 Section 856(d) (5) of the Internal Revenue Code of 1986, as amended,
21 shall apply in determining the ownership of stock, assets, or net
22 profits of any person.

23 4. A real estate investment trust that does not become
24 regularly traded on an established securities market within one (1)

1 year of the date on which it first becomes a real estate investment
2 trust shall be deemed not to have been regularly traded on an
3 established securities market, retroactive to the date it first
4 became a real estate investment trust, and shall file an amended
5 return reflecting such retroactive designation for any tax year or
6 part year occurring during its initial year of status as a real
7 estate investment trust. For purposes of this subsection, a real
8 estate investment trust becomes a real estate investment trust on
9 the first day it has both met the requirements of Section 856 of the
10 Internal Revenue Code of 1986, as amended, and has elected to be
11 treated as a real estate investment trust pursuant to Section
12 856(c) (1) of the Internal Revenue Code of 1986, as amended.

13 SECTION 2. This act shall become effective November 1, 2025.
14 Passed the Senate the 25th day of March, 2025.

15
16 _____
17 Presiding Officer of the Senate

18 Passed the House of Representatives the ____ day of _____,
19 2025.

20
21 _____
22 Presiding Officer of the House
23 of Representatives
24