



1 nonresident individual, which tax shall be computed at the option of  
2 the taxpayer under one of the two following methods:

3 1. METHOD 1.

4 a. Single individuals and married individuals filing  
5 separately not deducting federal income tax:

6 (1) 1/2% tax on first \$1,000.00 or part thereof,

7 (2) 1% tax on next \$1,500.00 or part thereof,

8 (3) 2% tax on next \$1,250.00 or part thereof,

9 (4) 3% tax on next \$1,150.00 or part thereof,

10 (5) 4% tax on next \$1,300.00 or part thereof,

11 (6) 5% tax on next \$1,500.00 or part thereof,

12 (7) 6% tax on next \$2,300.00 or part thereof, and

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

14 31, 1998, and before January 1, 2002, 6.75%

15 tax on the remainder,

16 (b) for taxable years beginning on or after

17 January 1, 2002, and before January 1, 2004,

18 7% tax on the remainder, and

19 (c) for taxable years beginning on or after

20 January 1, 2004, 6.65% tax on the remainder.

21 b. Married individuals filing jointly and surviving

22 spouse to the extent and in the manner that a

23 surviving spouse is permitted to file a joint return

24 under the provisions of the Internal Revenue Code and

1 heads of households as defined in the Internal Revenue  
2 Code not deducting federal income tax:

3 (1) 1/2% tax on first \$2,000.00 or part thereof,

4 (2) 1% tax on next \$3,000.00 or part thereof,

5 (3) 2% tax on next \$2,500.00 or part thereof,

6 (4) 3% tax on next \$2,300.00 or part thereof,

7 (5) 4% tax on next \$2,400.00 or part thereof,

8 (6) 5% tax on next \$2,800.00 or part thereof,

9 (7) 6% tax on next \$6,000.00 or part thereof, and

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

11 31, 1998, and before January 1, 2002, 6.75%

12 tax on the remainder,

13 (b) for taxable years beginning on or after

14 January 1, 2002, and before January 1, 2004,

15 7% tax on the remainder, and

16 (c) for taxable years beginning on or after

17 January 1, 2004, 6.65% tax on the remainder.

18 2. METHOD 2.

19 a. Single individuals and married individuals filing

20 separately deducting federal income tax:

21 (1) 1/2% tax on first \$1,000.00 or part thereof,

22 (2) 1% tax on next \$1,500.00 or part thereof,

23 (3) 2% tax on next \$1,250.00 or part thereof,

24 (4) 3% tax on next \$1,150.00 or part thereof,

- 1 (5) 4% tax on next \$1,200.00 or part thereof,
- 2 (6) 5% tax on next \$1,400.00 or part thereof,
- 3 (7) 6% tax on next \$1,500.00 or part thereof,
- 4 (8) 7% tax on next \$1,500.00 or part thereof,
- 5 (9) 8% tax on next \$2,000.00 or part thereof,
- 6 (10) 9% tax on next \$3,500.00 or part thereof, and
- 7 (11) 10% tax on the remainder.

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

- 14 (1) 1/2% tax on the first \$2,000.00 or part thereof,
- 15 (2) 1% tax on the next \$3,000.00 or part thereof,
- 16 (3) 2% tax on the next \$2,500.00 or part thereof,
- 17 (4) 3% tax on the next \$1,400.00 or part thereof,
- 18 (5) 4% tax on the next \$1,500.00 or part thereof,
- 19 (6) 5% tax on the next \$1,600.00 or part thereof,
- 20 (7) 6% tax on the next \$1,250.00 or part thereof,
- 21 (8) 7% tax on the next \$1,750.00 or part thereof,
- 22 (9) 8% tax on the next \$3,000.00 or part thereof,
- 23 (10) 9% tax on the next \$6,000.00 or part thereof, and
- 24 (11) 10% tax on the remainder.

1 B. Individuals. For all taxable years beginning on or after  
2 January 1, 2008, and ending any tax year which begins after December  
3 31, 2015, for which the determination required pursuant to Sections  
4 4 and 5 of this act is made by the State Board of Equalization, a  
5 tax is hereby imposed upon the Oklahoma taxable income of every  
6 resident or nonresident individual, which tax shall be computed as  
7 follows:

8 1. Single individuals and married individuals filing  
9 separately:

- 10 (a) 1/2% tax on first \$1,000.00 or part thereof,
- 11 (b) 1% tax on next \$1,500.00 or part thereof,
- 12 (c) 2% tax on next \$1,250.00 or part thereof,
- 13 (d) 3% tax on next \$1,150.00 or part thereof,
- 14 (e) 4% tax on next \$2,300.00 or part thereof,
- 15 (f) 5% tax on next \$1,500.00 or part thereof,
- 16 (g) 5.50% tax on the remainder for the 2008 tax year and  
17 any subsequent tax year unless the rate prescribed by  
18 subparagraph (h) of this paragraph is in effect, and
- 19 (h) 5.25% tax on the remainder for the 2009 and subsequent  
20 tax years. The decrease in the top marginal  
21 individual income tax rate otherwise authorized by  
22 this subparagraph shall be contingent upon the  
23 determination required to be made by the State Board  
24

1 of Equalization pursuant to Section 2355.1A of this  
2 title.

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

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

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

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

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

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

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

14 (g) 5.50% tax on the remainder for the 2008 tax year and  
15 any subsequent tax year unless the rate prescribed by  
16 subparagraph (h) of this paragraph is in effect, and

17 (h) 5.25% tax on the remainder for the 2009 and subsequent  
18 tax years. The decrease in the top marginal  
19 individual income tax rate otherwise authorized by  
20 this subparagraph shall be contingent upon the  
21 determination required to be made by the State Board  
22 of Equalization pursuant to Section 2355.1A of this  
23 title.  
24

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

5 1. Single individuals and married individuals filing  
6 separately~~;~~

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

14 2. Married individuals filing jointly and surviving spouse to  
15 the extent and in the manner that a surviving spouse is permitted to  
16 file a joint return under the provisions of the Internal Revenue  
17 Code and heads of households as defined in the Internal Revenue  
18 Code~~;~~

- 19 ~~(a) 0.25% tax on first \$2,000.00 or part thereof,~~
- 20 ~~(b) 0.75% tax on next \$3,000.00 or part thereof,~~
- 21 ~~(c) 1.75% tax on next \$2,500.00 or part thereof,~~
- 22 ~~(d) 2.75% tax on next \$2,300.00 or part thereof,~~
- 23 ~~(e) 3.75% tax on next \$4,600.00 or part thereof,~~

24

1           ~~(f)~~ 4.75% tax on ~~the remainder~~ all Oklahoma taxable  
2                                   income.

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

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

12           Every payer of amounts covered by this subsection shall deduct  
13 and withhold from such amounts paid each payee an amount equal to  
14 eight percent (8%) thereof. Every payer required to deduct and  
15 withhold taxes under this subsection shall for each quarterly period  
16 on or before the last day of the month following the close of each  
17 such quarterly period, pay over the amount so withheld as taxes to  
18 the Tax Commission, and shall file a return with each such payment.  
19 Such return shall be in such form as the Tax Commission shall  
20 prescribe. Every payer required under this subsection to deduct and  
21 withhold a tax from a payee shall, as to the total amounts paid to  
22 each payee during the calendar year, furnish to such payee, on or  
23 before January 31, of the succeeding year, a written statement  
24 showing the name of the payer, the name of the payee and the payee's



1 Social Security account number, if any, the total amount paid  
2 subject to taxation, and the total amount deducted and withheld as  
3 tax and such other information as the Tax Commission may require.  
4 Any payer who fails to withhold or pay to the Tax Commission any  
5 sums herein required to be withheld or paid shall be personally and  
6 individually liable therefor to the State of Oklahoma.

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

12 There shall be no additional Oklahoma income tax imposed on  
13 accumulated taxable income or on undistributed personal holding  
14 company income as those terms are defined in the Internal Revenue  
15 Code.

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

24

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

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

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

14 SECTION 2. AMENDATORY 68 O.S. 2021, Section 2358, as  
15 last amended by Section 2, Chapter 277, O.S.L. 2024 (68 O.S. Supp.  
16 2024, Section 2358), is amended to read as follows:

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

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

24

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

1 prescribed factors which has the effect of increasing the portion of  
2 net income attributable to this state must not be inherently  
3 arbitrary, and application of the recomputed final apportionment to  
4 the net income of the enterprise must attribute to this state only a  
5 reasonable portion 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 buildings, structures, fixtures and improvements used  
10 or operated primarily for the processing or production  
11 of marketable products from agricultural commodities.  
12 The term shall also mean a dairy operation that  
13 requires a depreciable investment of at least Two  
14 Hundred Fifty Thousand Dollars (\$250,000.00) and which  
15 produces milk from dairy cows. The term does not  
16 include a facility that provides only, and nothing  
17 more than, storage, cleaning, drying or transportation  
18 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, 26 U.S.C.,  
11 Section 172(b)(G). However, the amount of the net operating loss  
12 carryback shall not exceed the lesser of:

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

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

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

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 by Section 1231 of the American  
18 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, 26 U.S.C., Section 1361 et seq., and Section  
21 2365 of this title, deductions pursuant to the provisions of the  
22 Accelerated Cost Recovery System as defined and allowed in the  
23 Economic Recovery Tax Act of 1981, Public Law 97-34, 26 U.S.C.,  
24 Section 168, for depreciation of assets placed into service after

1 December 31, 1981, shall not be allowed in calculating Oklahoma  
2 taxable income. Such corporations shall be allowed a deduction for  
3 depreciation of assets placed into service after December 31, 1981,  
4 in accordance with provisions of the Internal Revenue Code, 26  
5 U.S.C., Section 1 et seq., in effect immediately prior to the  
6 enactment of the Accelerated Cost Recovery System. The Oklahoma tax  
7 basis for all such assets placed into service after December 31,  
8 1981, calculated in this section shall be retained and utilized for  
9 all Oklahoma income tax purposes through the final disposition of  
10 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 to the contrary, this subsection shall control calculation of  
14 depreciation of assets placed into service after December 31, 1981,  
15 and before January 1, 1983.

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

24



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, Section 179 as  
6 provided in the American Recovery and Reinvestment Act of 2009.

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

21       2. For purposes of this subsection:

22           a. "Qualified small business" means an entity, whether  
23               organized as a corporation, partnership, or  
24               proprietorship, organized for profit with its

1 principal place of business located within this state  
2 and which meets the following criteria:

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

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

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

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

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

1 capital treatment earned by the corporation, estate or trust during  
2 the taxable year and included in the federal taxable income of such  
3 corporation, estate or trust.

4 2. As used in this subsection:

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

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

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

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

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

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

24

1 d. "direct" means the taxpayer directly owns the asset,  
2 and

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

7 (1) With respect to sales of real property or  
8 tangible personal property located within this  
9 state, the deduction described in this subsection  
10 shall not apply unless the pass-through entity  
11 that makes the sale has held the property for not  
12 less than five (5) uninterrupted years prior to  
13 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 five  
19 (5) years.

20 (2) With respect to sales of stock or ownership  
21 interest in or sales of all or substantially all  
22 of the assets of an Oklahoma company, limited  
23 liability company, or partnership, the deduction  
24 described in this subsection shall not apply

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

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

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

1 ~~correcting lenses, or if the visual acuity of the~~  
2 ~~individual is greater than 20/200, but is accompanied~~  
3 ~~by a limitation in the fields of vision such that the~~  
4 ~~widest diameter of the visual field subtends an angle~~  
5 ~~no greater than twenty (20) degrees.~~

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

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

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

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

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

22 ~~Provided, for taxable years beginning after December~~  
23 ~~31, 1999, amounts included in the calculation of~~  
24 ~~federal adjusted gross income pursuant to the~~

1           ~~conversion of a traditional individual retirement~~  
2           ~~account to a Roth individual retirement account shall~~  
3           ~~be excluded from federal adjusted gross income for~~  
4           ~~purposes of the income thresholds provided in this~~  
5           ~~subparagraph.~~

6           ~~2.~~    a.    For taxable years beginning on or before December 31,  
7                    2005, in the case of individuals who use the standard  
8                    deduction in determining taxable income, there shall  
9                    be added or deducted, as the case may be, the  
10                   difference necessary to allow a standard deduction in  
11                   lieu of the standard deduction allowed by the Internal  
12                   Revenue Code, in an amount equal to the larger of  
13                   fifteen percent (15%) of the Oklahoma adjusted gross  
14                   income or One Thousand Dollars (\$1,000.00), but not to  
15                   exceed Two Thousand Dollars (\$2,000.00), except that  
16                   in the case of a married individual filing a separate  
17                   return such deduction shall be the larger of fifteen  
18                   percent (15%) of such Oklahoma adjusted gross income  
19                   or Five Hundred Dollars (\$500.00), but not to exceed  
20                   the maximum amount of One Thousand Dollars  
21                   (\$1,000.00).

22                   b.    For taxable years beginning on or after January 1,  
23                    2006, and before January 1, 2007, in the case of  
24                    individuals who use the standard deduction in



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

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

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

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

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

21 (2) Four Thousand One Hundred Twenty-five Dollars  
22 (\$4,125.00) for a head of household; or  
23  
24

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

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

11 (1) Six Thousand Five Hundred Dollars (\$6,500.00), if  
12 the filing status is married filing joint or  
13 qualifying widow, or

14 (2) Four Thousand Eight Hundred Seventy-five Dollars  
15 (\$4,875.00) for a head of household, or

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

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

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

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

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

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

1 g. For taxable years beginning on or after January 1,  
2 2017, and ending not later than December 31, 2025, in  
3 the case of individuals who use the standard deduction  
4 in 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, as  
8 follows:

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

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

15 (3) Nine Thousand Three Hundred Fifty Dollars  
16 (\$9,350.00) for head of household.

17 h. For taxable years beginning on or after January 1,  
18 2026, in the case of individuals who use the standard  
19 deduction in determining taxable income, there shall  
20 be added or deducted, as the case may be, the  
21 difference necessary to allow a standard deduction in  
22 lieu of the standard deduction allowed by the Internal  
23 Revenue Code, as follows:  
24

1           (1) Thirteen Thousand Five Hundred Fifty Dollars  
2                   (\$13,550.00) for single or married filing  
3                   separately,

4           (2) Twenty-seven Thousand One Hundred Dollars  
5                   (\$27,100.00) for married filing jointly or  
6                   qualifying widower with dependent child, and

7           (3) Twenty Thousand Three Hundred Twenty-five Dollars  
8                   (\$20,325.00) for head of household.

9           ~~3.~~

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

24

1 exemptions shall be subject to proration as provided  
2 by law.

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

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

1     ~~5.~~

2     4.

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

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

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

19               (1)   absence from the United States, which term  
20               includes only the states and the District of  
21               Columbia;

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

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

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

5 (a) Such individual shall return to the United  
6 States if the extension is granted pursuant  
7 to subparagraph a of this paragraph, return  
8 to this state if the extension is granted  
9 pursuant to subparagraph b of this paragraph  
10 or be discharged from such hospital if the  
11 extension is granted pursuant to  
12 subparagraph c of this paragraph; or

13 (b) An executor, administrator, or conservator  
14 of the estate of the taxpayer is appointed,  
15 whichever event occurs the earliest.

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



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

9       ~~7.~~

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

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

23       c. For the purpose of this paragraph, "federal income  
24 taxes paid" shall mean federal income taxes, surtaxes

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

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

15 ~~8.~~ 7. Retirement benefits not to exceed Five Thousand Five  
16 Hundred Dollars (\$5,500.00) for the 2004 tax year, Seven Thousand  
17 Five Hundred Dollars (\$7,500.00) for the 2005 tax year and Ten  
18 Thousand Dollars (\$10,000.00) for the 2006 tax year and all  
19 subsequent tax years, which are received by an individual from the  
20 civil service of the United States, the Oklahoma Public Employees  
21 Retirement System, the Teachers' Retirement System of Oklahoma, the  
22 Oklahoma Law Enforcement Retirement System, the Oklahoma  
23 Firefighters Pension and Retirement System, the Oklahoma Police  
24 Pension and Retirement System, the employee retirement systems

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

8 ~~9.~~ 8. In taxable years beginning after December 31, 1984,  
9 Social Security benefits received by an individual shall be exempt  
10 from taxable income, to the extent such benefits are included in the  
11 federal adjusted gross income pursuant to the provisions of Section  
12 86 of the Internal Revenue Code, 26 U.S.C., Section 86.

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

1 individual retirement accounts within the meaning of Section 408 of  
2 the Internal Revenue Code.

3 ~~11.~~ 10. In taxable years beginning after December 31, 1995,  
4 contributions made to and interest received from a medical savings  
5 account established pursuant to Sections 2621 through 2623 of Title  
6 63 of the Oklahoma Statutes shall be exempt from taxable income.

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

19 ~~13.~~

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

23 (1) the adoption of a minor, or  
24

1 (2) a proposed adoption of a minor which did not  
2 result in a decreed adoption,  
3 may be deducted from the Oklahoma adjusted gross  
4 income.

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

8 c. The Tax Commission shall promulgate rules to implement  
9 the provisions of this paragraph which shall contain a  
10 specific list of nonrecurring adoption expenses which  
11 may be presumed to qualify for the deduction. The Tax  
12 Commission shall prescribe necessary requirements for  
13 verification.

14 d. "Nonrecurring adoption expenses" means adoption fees,  
15 court costs, medical expenses, attorney fees and  
16 expenses which are directly related to the legal  
17 process of adoption of a child including, but not  
18 limited to, costs relating to the adoption study,  
19 health and psychological examinations, transportation  
20 and reasonable costs of lodging and food for the child  
21 or adoptive parents which are incurred to complete the  
22 adoption process and are not reimbursed by other  
23 sources. The term nonrecurring adoption expenses  
24 shall not include attorney fees incurred for the

1 purpose of litigating a contested adoption, from and  
2 after the point of the initiation of the contest,  
3 costs associated with physical remodeling, renovation  
4 and alteration of the adoptive parents' home or  
5 property, except for a special needs child as  
6 authorized by the court.

7 ~~14.~~

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

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

3           (1) in taxable years beginning after December 31,  
4           2004, and prior to January 1, 2007, the  
5           qualifying amount shall be Thirty-seven Thousand  
6           Five Hundred Dollars (\$37,500.00) or less if the  
7           filing status is single, head of household, or  
8           married filing separate, or Seventy-five Thousand  
9           Dollars (\$75,000.00) or less if the filing status  
10          is married filing jointly or qualifying widow,

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

18          (3) in the taxable year beginning January 1, 2008,  
19          the qualifying amount shall be Sixty-two Thousand  
20          Five Hundred Dollars (\$62,500.00) or less if the  
21          filing status is single, head of household, or  
22          married filing separate, or One Hundred Twenty-  
23          five Thousand Dollars (\$125,000.00) or less if  
24

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

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

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

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

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

20 (2) an eligible deferred compensation plan that  
21 satisfies the requirements of Section 457 of the  
22 Internal Revenue Code, 26 U.S.C., Section 457,

23 (3) an individual retirement account, annuity or  
24 trust or simplified employee pension that



1 satisfies the requirements of Section 408 of the  
2 Internal Revenue Code, 26 U.S.C., Section 408,  
3 (4) an employee annuity subject to the provisions of  
4 Section 403(a) or (b) of the Internal Revenue  
5 Code, 26 U.S.C., Section 403(a) or (b),  
6 (5) United States Retirement Bonds which satisfy the  
7 requirements of Section 86 of the Internal  
8 Revenue Code, 26 U.S.C., Section 86, or  
9 (6) lump-sum distributions from a retirement plan  
10 which satisfies the requirements of Section  
11 402(e) of the Internal Revenue Code, 26 U.S.C.,  
12 Section 402(e).

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

1                   Hundred Dollars (\$7,500.00) for the 2005 tax year and  
2                   Ten Thousand Dollars (\$10,000.00) for the 2006 tax  
3                   year and all subsequent tax years.

4       ~~15.~~ 14. In taxable years beginning after December 31, 1999, for  
5 an individual engaged in production agriculture who has filed a  
6 Schedule F form with the taxpayer's federal income tax return for  
7 such taxable year, there shall be excluded from taxable income any  
8 amount which was included as federal taxable income or federal  
9 adjusted gross income and which consists of the discharge of an  
10 obligation by a creditor of the taxpayer incurred to finance the  
11 production of agricultural products.

12       ~~16.~~ 15. In taxable years beginning December 31, 2000, an amount  
13 equal to one hundred percent (100%) of the amount of any scholarship  
14 or stipend received from participation in the Oklahoma Police Corps  
15 Program, as established in Section 2-140.3 of Title 47 of the  
16 Oklahoma Statutes shall be exempt from taxable income.

17       ~~17.~~

18       16. a. In taxable years beginning after December 31, 2001,  
19 and before January 1, 2005, there shall be allowed a  
20 deduction in the amount of contributions to accounts  
21 established pursuant to the Oklahoma College Savings  
22 Plan Act. The deduction shall equal the amount of  
23 contributions to accounts, but in no event shall the  
24 deduction for each contributor exceed Two Thousand

1 Five Hundred Dollars (\$2,500.00) each taxable year for  
2 each account.

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

24

1            Provided, a deduction for the same contribution may  
2            not be taken for two (2) different taxable years.

3            c.    In taxable years beginning after December 31, 2006,  
4            deductions for contributions made pursuant to  
5            subparagraph b of this paragraph shall be limited as  
6            follows:

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

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

22           d.    If a taxpayer elects to take a rollover on a  
23           contribution for which a deduction has been taken  
24           pursuant to subparagraph b of this paragraph within

1 one (1) year of the date of contribution, the amount  
2 of such rollover shall be included in the adjusted  
3 gross income of the taxpayer in the taxable year of  
4 the rollover.

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

11 f. As used in this paragraph:

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

15 (a) a qualified withdrawal,

16 (b) a withdrawal made as a result of the death  
17 or disability of the designated beneficiary  
18 of an account,

19 (c) a withdrawal that is made on the account of  
20 a scholarship or the allowance or payment  
21 described in Section 135(d)(1)(B) or (C) or  
22 by the Internal Revenue Code, received by  
23 the designated beneficiary to the extent the  
24 amount of the refund does not exceed the

1 amount of the scholarship, allowance, or  
2 payment, or

3 (d) a rollover or change of designated  
4 beneficiary as permitted by subsection F of  
5 Section 3970.7 of Title 70 of the Oklahoma  
6 Statutes, and

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

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

19 ~~19.~~ 18. For taxable years beginning after December 31, 2006,  
20 retirement benefits received by federal civil service retirees,  
21 including survivor annuities, paid in lieu of Social Security  
22 benefits shall be exempt from taxable income to the extent such  
23 benefits are included in the federal adjusted gross income pursuant  
24

1 to the provisions of Section 86 of the Internal Revenue Code, 26  
2 U.S.C., Section 86, according to the following schedule:

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

14 ~~20.~~

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

1           claimed in the taxable year in which the human organ  
2           transplantation occurs.

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

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

13          ~~21.~~ 20.   For taxable years beginning after December 31, 2009,  
14          there shall be exempt from taxable income any amount received by the  
15          beneficiary of the death benefit for an emergency medical technician  
16          or a registered emergency medical responder provided by Section 1-  
17          2505.1 of Title 63 of the Oklahoma Statutes.

18          ~~22.~~ 21.   For taxable years beginning after December 31, 2008,  
19          taxable income shall be increased by any unemployment compensation  
20          exempted under Section 85(c) of the Internal Revenue Code, 26  
21          U.S.C., Section 85(c) (2009).

22          ~~23.~~ 22.   For taxable years beginning after December 31, 2008,  
23          there shall be exempt from taxable income any payment in an amount  
24          less than Six Hundred Dollars (\$600.00) received by a person as an



1 award for participation in a competitive livestock show event. For  
2 purposes of this paragraph, the payment shall be treated as a  
3 scholarship amount paid by the entity sponsoring the event and the  
4 sponsoring entity shall cause the payment to be categorized as a  
5 scholarship in its books and records.

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

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

1 April 15 of the succeeding tax year, or through the due date of a  
2 taxpayer's state income tax return excluding extensions, whichever  
3 is later. Provided, a deduction for the same contribution may not  
4 be taken in more than one (1) tax year.

5 ~~26.~~ 25. For tax year 2024 and subsequent tax years, tax credits  
6 received pursuant to the Oklahoma Parental Choice Tax Credit Act in  
7 Section 28-101 of Title 70 of the Oklahoma Statutes shall be exempt  
8 from taxable income.

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

14 2. As used in this subsection:

15 a. "qualifying gains receiving capital treatment" means  
16 the amount of net capital gains, as defined in Section  
17 1222(11) of the Internal Revenue Code, included in an  
18 individual taxpayer's federal income tax return that  
19 result from:

20 (1) the sale of real property or tangible personal  
21 property located within this state that has been  
22 directly or indirectly owned by the individual  
23 taxpayer for a holding period of at least five  
24

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

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

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

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

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

13          d. "direct" means the individual taxpayer directly owns  
14          the asset,

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

19          (1) With respect to sales of real property or  
20          tangible personal property located within this  
21          state, the deduction described in this subsection  
22          shall not apply unless the pass-through entity  
23          that makes the sale has held the property for not  
24          less than five (5) uninterrupted years prior to

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

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

1 shall be included in the determination of the  
2 required holding period prescribed by this  
3 division, and

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

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

19 2. For purposes of computing its Oklahoma taxable income under  
20 this section, a taxpayer shall add back otherwise deductible rents  
21 and interest expenses paid to a captive real estate investment trust  
22 that is not subject to the provisions of paragraph 1 of this  
23 subsection. As used in this subsection:  
24

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

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

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

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

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

- 1 (1) any real estate investment trust as defined in  
2 paragraph a of this subsection other than a  
3 captive real estate investment trust, or
- 4 (2) any qualified real estate investment trust  
5 subsidiary under Section 856(i) of the Internal  
6 Revenue Code, other than a qualified REIT  
7 subsidiary of a captive real estate investment  
8 trust, or
- 9 (3) any listed Australian property trust (meaning an  
10 Australian unit trust registered as a "managed  
11 investment scheme" under the Australian  
12 Corporations Act 2001 in which the principal  
13 class of units is listed on a recognized stock  
14 exchange in Australia and is regularly traded on  
15 an established securities market), or an entity  
16 organized as a trust, provided that a listed  
17 Australian property trust owns or controls,  
18 directly or indirectly, seventy-five percent  
19 (75%) or more of the voting power or value of the  
20 beneficial interests or shares of such trust, or
- 21 (4) any qualified foreign entity, meaning a  
22 corporation, trust, association or partnership  
23 organized outside the laws of the United States  
24 and which satisfies the following criteria:



- 1 (a) at least seventy-five percent (75%) of the  
2 entity's total asset value at the close of  
3 its taxable year is represented by real  
4 estate assets, as defined in Section  
5 856(c) (5) (B) of the Internal Revenue Code,  
6 thereby including shares or certificates of  
7 beneficial interest in any real estate  
8 investment trust, cash and cash equivalents,  
9 and U.S. Government securities,
- 10 (b) the entity receives a dividend-paid  
11 deduction comparable to Section 561 of the  
12 Internal Revenue Code, or is exempt from  
13 entity level tax,
- 14 (c) the entity is required to distribute at  
15 least eighty-five percent (85%) of its  
16 taxable income, as computed in the  
17 jurisdiction in which it is organized, to  
18 the holders of its shares or certificates of  
19 beneficial interest on an annual basis,
- 20 (d) not more than ten percent (10%) of the  
21 voting power or value in such entity is held  
22 directly or indirectly or constructively by  
23 a single entity or individual, or the shares  
24 or beneficial interests of such entity are

1 regularly traded on an established  
2 securities market, and

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

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

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

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

COMMITTEE REPORT BY: COMMITTEE ON APPROPRIATIONS AND BUDGET, dated  
03/06/2025 - DO PASS, As Amended and Coauthored.