

1 **SENATE FLOOR VERSION**

2 March 5, 2025

3 **AS AMENDED**

4 SENATE BILL NO. 60

By: Rader of the Senate

and

Maynard of the House

6
7
8 **[income tax - adjustments - apportionment factors -
9 effective date]**

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

13 SECTION 1. AMENDATORY 68 O.S. 2021, Section 2358, as
14 last amended by Section 155, Chapter 452, O.S.L. 2024 (68 O.S. Supp.
15 2024, Section 2358), is amended to read as follows:

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

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

23 1. There shall be added interest income on obligations of any
24 state or political subdivision thereto which is not otherwise

1 exempted pursuant to other laws of this state, to the extent that
2 such interest is not included in taxable income and adjusted gross
3 income.

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

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

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

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

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

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 of 1986, as amended,
13 shall be allocated to this state in the ratio of
14 the original cost of such partnership's tangible
15 property in this state to the original cost of
16 such partnership's tangible property everywhere,
17 as determined at the time of the sale; if more
18 than fifty percent (50%) of the value of the
19 partnership's assets consists of intangible
20 assets, capital or ordinary gains or losses from
21 the sale of an ownership interest in the
22 partnership shall be allocated to this state in
23 accordance with the sales factor of the
24 partnership for its first full tax period

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

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

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

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

22 (1) sales having a situs without this state, shipped
23 directly to a point from without the state to a
24

1 purchaser within the state, commonly known as
2 interstate sales,

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

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

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

24

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

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

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

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

7 5. The For tax year 2025 and previous tax years, the net income
8 or loss remaining after the separate allocation in paragraph 4 of
9 this subsection, being that which is derived from a unitary business
10 enterprise, shall be apportioned to this state on the basis of the
11 arithmetical average of three factors consisting of property,
12 payroll and sales or gross revenue enumerated as subparagraphs a, b
13 and c of this paragraph. For tax year 2026 and subsequent tax
14 years, the net income or loss remaining after the separate
15 allocation in paragraph 4 of this subsection shall be apportioned to
16 this state solely on the basis of the sales factor apportionment
17 enumerated as subparagraph c of this paragraph. Net income or loss
18 as used in this paragraph includes that derived from patent or
19 copyright royalties, purchase discounts, and interest on accounts
20 receivable relating to or arising from a business activity, the
21 income from which is apportioned pursuant to this subsection,
22 including the sale or other disposition of such property and any
23 other property used in the unitary enterprise. Deductions used in
24 computing such net income or loss shall not include taxes based on

1 or measured by income. Provided, for tax year 2025 and previous tax
2 years, for corporations whose property for purposes of the tax
3 imposed by Section 2355 of this title has an initial investment cost
4 equaling or exceeding Two Hundred Million Dollars (\$200,000,000.00)
5 and such investment is made on or after July 1, 1997, or for
6 corporations which expand their property or facilities in this state
7 and such expansion has an investment cost equaling or exceeding Two
8 Hundred Million Dollars (\$200,000,000.00) over a period not to
9 exceed three (3) years, and such expansion is commenced on or after
10 January 1, 2000, the three factors shall be apportioned with
11 property and payroll, each comprising twenty-five percent (25%) of
12 the apportionment factor and sales comprising fifty percent (50%) of
13 the apportionment factor. The apportionment factors shall be
14 computed as follows:

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

22 (1) Property, the income from which is separately
23 allocated in paragraph 4 of this subsection,
24 shall not be included in determining this

1 fraction. The numerator of the fraction shall
2 include a portion of the investment in
3 transportation and other equipment having no
4 fixed situs, such as rolling stock, buses, trucks
5 and trailers, including machinery and equipment
6 carried thereon, airplanes, salespersons'
7 automobiles and other similar equipment, in the
8 proportion that miles traveled in ~~Oklahoma~~ this
9 state by such equipment bears to total miles
10 traveled,

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

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

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

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

19 (2) In any case the numerator of the fraction shall
20 include a portion of such expenditures in
21 connection with itinerant employees, such as
22 traveling salespersons, in this state only a part
23 of the time, in the proportion that time spent in
24

1 ~~Oklahoma~~ this state bears to total time spent in
2 furtherance of the enterprise by such employees;

3 c. The sales factor is a fraction, the numerator of which
4 is the total sales or gross revenue of the taxpayer in
5 this state during the tax period, and the denominator
6 of which is the total sales or gross revenue of the
7 taxpayer everywhere during the tax period. "Sales",
8 as used in this subsection, does not include sales or
9 gross revenue which are separately allocated in
10 paragraph 4 of this subsection.

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

22 (2) In the case of a railroad or interurban railway
23 enterprise, the numerator of the fraction shall
24 not be less than the allocation of revenues to

1 this state as shown in its annual report to the
2 Corporation Commission.

3 (3) In the case of an airline, truck or bus
4 enterprise or freight car, tank car, refrigerator
5 car or other railroad equipment enterprise, the
6 numerator of the fraction shall include a portion
7 of revenue from interstate transportation in the
8 proportion that interstate mileage traveled in
9 ~~Oklahoma~~ this state bears to total interstate
10 mileage traveled.

11 (4) In the case of an oil, gasoline or gas pipeline
12 enterprise, the numerator of the fraction shall
13 be either the total of traffic units of the
14 enterprise within ~~Oklahoma~~ this state or the
15 revenue allocated to ~~Oklahoma~~ this state based
16 upon miles moved, at the option of the taxpayer,
17 and the denominator of which shall be the total
18 of traffic units of the enterprise or the revenue
19 of the enterprise everywhere as appropriate to
20 the numerator. A "traffic unit" is hereby
21 defined as the transportation for a distance of
22 one (1) mile of one (1) barrel of oil, one (1)
23 gallon of gasoline or one thousand (1,000) cubic
24

1 feet of natural or casinghead gas, as the case
2 may be.

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

22 In any case where the apportionment of the three factors
23 prescribed in this paragraph attributes to ~~Oklahoma~~ this state a
24 portion of net income of the enterprise out of all appropriate

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

19 6. For calendar years 1997 and 1998, the owner of a new or
20 expanded agricultural commodity processing facility in this state
21 may exclude from Oklahoma taxable income, or in the case of an
22 individual, the Oklahoma adjusted gross income, fifteen percent
23 (15%) of the investment by the owner in the new or expanded
24 agricultural commodity processing facility. For calendar year 1999,

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

20 For purposes of this paragraph:

- 21 a. "Agricultural commodity processing facility" means
22 ~~building~~ buildings, structures, fixtures and
23 improvements used or operated primarily for the
24 processing or production of marketable products from

1 agricultural commodities. The term shall also mean a
2 dairy operation that requires a depreciable investment
3 of at least Two Hundred Fifty Thousand Dollars
4 (\$250,000.00) and which produces milk from dairy cows.
5 The term does not include a facility that provides
6 only, and nothing more than, storage, cleaning, drying
7 or transportation of agricultural commodities, and

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

- 10 (1) the processing of agricultural commodities,
11 including receiving or storing agricultural
12 commodities, or the production of milk at a dairy
13 operation,
14 (2) transporting the agricultural commodities or
15 product before, during or after the processing,
16 or
17 (3) packaging or otherwise preparing the product for
18 sale or shipment.

19 7. Despite any provision to the contrary in paragraph 3 of this
20 subsection, for taxable years beginning after December 31, 1999, in
21 the case of a taxpayer which has a farming loss, such farming loss
22 shall be considered a net operating loss carryback in accordance
23 with and to the extent of the Internal Revenue Code of 1986, as
24 amended, 26 U.S.C., Section ~~172(b)(G)~~ 172(b)(1)(B). However, the

1 amount of the net operating loss carryback shall not exceed the
2 lesser of:

- 3 a. Sixty Thousand Dollars (\$60,000.00), or
- 4 b. the loss properly shown on Schedule F of the Internal
5 Revenue Service Form 1040 reduced by one-half (1/2) of
6 the income from all other sources other than reflected
7 on Schedule F.

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

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

22 10. For taxable years beginning on or after January 1, 2010,
23 there shall be added to Oklahoma taxable income an amount equal to
24 the amount of deferred income not included in such taxable income

1 pursuant to Section 108(i)(1) of the Internal Revenue Code of 1986
2 as amended by Section 1231 of the American Recovery and Reinvestment
3 Act of 2009 (P.L. No. 111-5). There shall be subtracted from
4 Oklahoma taxable income an amount equal to the amount of deferred
5 income included in such taxable income pursuant to Section 108(i)(1)
6 of the Internal Revenue Code of 1986 as amended by Section 1231 of
7 the American Recovery and Reinvestment Act of 2009 (P.L. No. 111-5).

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

1 Section 2355.1P-2 of this title. Notwithstanding the application of
2 this paragraph, the adjusted tax basis of any ownership interest in
3 a pass-through entity for purposes of Section 2351 et seq. of this
4 title shall be equal to its adjusted tax basis for federal income
5 tax purposes.

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

24

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

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

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

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

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

12 2. For purposes of this subsection:

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

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

20 (2) Having at least fifty percent (50%) of its
21 employees and assets located in ~~Oklahoma~~ this
22 state at the time of the transfer, and

23 (3) Not a subsidiary or affiliate of the transferor
24 corporation;

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

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

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

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

19 2. As used in this subsection:

20 a. "qualifying gains receiving capital treatment" means
21 the amount of net capital gains, as defined in Section
22 1222(11) of the Internal Revenue Code of 1986, as
23 amended, included in the federal income tax return of
24 the corporation, estate or trust that result from:

- 1 (1) the sale of real property or tangible personal
2 property located within ~~Oklahoma~~ this state that
3 has been directly or indirectly owned by the
4 corporation, estate or trust for a holding period
5 of at least five (5) years prior to the date of
6 the transaction from which such net capital gains
7 arise,
- 8 (2) the sale of stock or on the sale of an ownership
9 interest in an Oklahoma company, limited
10 liability company, or partnership where such
11 stock or ownership interest has been directly or
12 indirectly owned by the corporation, estate or
13 trust for a holding period of at least three (3)
14 years prior to the date of the transaction from
15 which the net capital gains arise, or
- 16 (3) the sale of real property, tangible personal
17 property or intangible personal property located
18 within ~~Oklahoma~~ this state as part of the sale of
19 all or substantially all of the assets of an
20 Oklahoma company, limited liability company, or
21 partnership where such property has been directly
22 or indirectly owned by such entity owned by the
23 owners of such entity, and used in or derived
24 from such entity for a period of at least three

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

11 e. For the taxable year beginning on January 1, 2009, and
12 ending December 31, 2009, in the case of individuals
13 who use the standard deduction in determining taxable
14 income, there shall be added or deducted, as the case
15 may be, the difference necessary to allow a standard
16 deduction in lieu of the standard deduction allowed by
17 the Internal Revenue Code of 1986, as amended, in an
18 amount equal to:

- 19 (1) Eight Thousand Five Hundred Dollars (\$8,500.00),
20 if the filing status is married filing joint or
21 qualifying widow,
22 (2) Six Thousand Three Hundred Seventy-five Dollars
23 (\$6,375.00) for a head of household, or
24

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

24

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

9 d. The amount of the exemption provided by this paragraph
10 shall be limited to Five Thousand Five Hundred Dollars
11 (\$5,500.00) for the 2004 tax year, Seven Thousand Five
12 Hundred Dollars (\$7,500.00) for the 2005 tax year and
13 Ten Thousand Dollars (\$10,000.00) for the tax year
14 2006 and for all subsequent tax years. Any individual
15 who claims the exemption provided for in paragraph 8
16 of this subsection shall not be permitted to claim a
17 combined total exemption pursuant to this paragraph
18 and paragraph 8 of this subsection in an amount
19 exceeding Five Thousand Five Hundred Dollars
20 (\$5,500.00) for the 2004 tax year, Seven Thousand Five
21 Hundred Dollars (\$7,500.00) for the 2005 tax year and
22 Ten Thousand Dollars (\$10,000.00) for the 2006 tax
23 year and all subsequent tax years.
24

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

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

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

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

1 contributions to accounts established pursuant to the
2 Oklahoma College Savings Plan Act. The maximum annual
3 deduction shall equal the amount of contributions to
4 all such accounts plus any contributions to such
5 accounts by the taxpayer for prior taxable years after
6 December 31, 2004, which were not deducted, but in no
7 event shall the deduction for each tax year exceed Ten
8 Thousand Dollars (\$10,000.00) for each individual
9 taxpayer or Twenty Thousand Dollars (\$20,000.00) for
10 taxpayers filing a joint return. Any amount of a
11 contribution that is not deducted by the taxpayer in
12 the year for which the contribution is made may be
13 carried forward as a deduction from income for the
14 succeeding five (5) years. For taxable years
15 beginning after December 31, 2005, deductions may be
16 taken for contributions and rollovers made during a
17 taxable year and up to April 15 of the succeeding
18 year, or the due date of a taxpayer's state income tax
19 return, excluding extensions, whichever is later.
20 Provided, a deduction for the same contribution may
21 not be taken for two (2) different taxable years.
22 c. In taxable years beginning after December 31, 2006,
23 deductions for contributions made pursuant to
24

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

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

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

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

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

7 f. As used in this paragraph:

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

11 (a) a qualified withdrawal,

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

8 2. As used in this subsection:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

9 COMMITTEE REPORT BY: COMMITTEE ON APPROPRIATIONS
10 March 5, 2025 - DO PASS AS AMENDED

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