

STATE OF OKLAHOMA

1st Session of the 60th Legislature (2025)

SENATE BILL 98

By: Howard

AS INTRODUCED

An Act relating to income tax; amending 68 O.S. 2021, Section 2355, as last amended by Section 1, Chapter 27, 1st Extraordinary Session, O.S.L. 2023 (68 O.S. Supp. 2024, Section 2355), which relates to tax imposed on classes of taxpayers; modifying income tax rate for certain tax years; amending 68 O.S. 2021, Section 2358, as last amended by Section 155, Chapter 452, O.S.L. 2024 (68 O.S. Supp. 2024, Section 2358), which relates to adjustments; limiting certain personal exemption to certain tax years; modifying amount of standard deduction for certain tax years; updating statutory references; updating statutory language; providing an effective date; and declaring an emergency.

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

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

Section 2355. A. Individuals. For all taxable years beginning after December 31, 1998, and before January 1, 2006, a tax is hereby imposed upon the Oklahoma taxable income of every resident or

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 of

1 1986, as amended, and heads of households as defined
2 in the Internal Revenue Code of 1986, as amended, not
3 deducting federal income tax:

4 (1) 1/2% tax on first \$2,000.00 or part thereof,

5 (2) 1% tax on next \$3,000.00 or part thereof,

6 (3) 2% tax on next \$2,500.00 or part thereof,

7 (4) 3% tax on next \$2,300.00 or part thereof,

8 (5) 4% tax on next \$2,400.00 or part thereof,

9 (6) 5% tax on next \$2,800.00 or part thereof,

10 (7) 6% tax on next \$6,000.00 or part thereof, and

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

12 31, 1998, and before January 1, 2002, 6.75%
13 tax on the remainder,

14 (b) for taxable years beginning on or after

15 January 1, 2002, and before January 1, 2004,
16 7% tax on the remainder, and

17 (c) for taxable years beginning on or after

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

19 2. METHOD 2.

20 a. Single individuals and married individuals filing
21 separately deducting federal income tax:

22 (1) 1/2% tax on first \$1,000.00 or part thereof,

23 (2) 1% tax on next \$1,500.00 or part thereof,

24 (3) 2% tax on next \$1,250.00 or part thereof,

- 1 (4) 3% tax on next \$1,150.00 or part thereof,
- 2 (5) 4% tax on next \$1,200.00 or part thereof,
- 3 (6) 5% tax on next \$1,400.00 or part thereof,
- 4 (7) 6% tax on next \$1,500.00 or part thereof,
- 5 (8) 7% tax on next \$1,500.00 or part thereof,
- 6 (9) 8% tax on next \$2,000.00 or part thereof,
- 7 (10) 9% tax on next \$3,500.00 or part thereof, and
- 8 (11) 10% tax on the remainder.

9 b. Married individuals filing jointly and surviving
10 spouse to the extent and in the manner that a
11 surviving spouse is permitted to file a joint return
12 under the provisions of the Internal Revenue Code of
13 1986, as amended, and heads of households as defined
14 in the Internal Revenue Code of 1986, as amended,
15 deducting federal income tax:

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

1 (10) 9% tax on the next \$6,000.00 or part thereof, and

2 (11) 10% tax on the remainder.

3 B. Individuals. For all taxable years beginning on or after
4 January 1, 2008, and ending any tax year which begins after December
5 31, 2015, for which the determination required pursuant to Sections
6 4 2355.1F and 5 2355.1G of this ~~act~~ title is made by the State Board
7 of Equalization, a tax is hereby imposed upon the Oklahoma taxable
8 income of every resident or nonresident individual, which tax shall
9 be computed as follows:

10 1. Single individuals and married individuals filing
11 separately:

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

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

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

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

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

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

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

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

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

23 individual income tax rate otherwise authorized by

24 this subparagraph shall be contingent upon the
25

1 determination required to be made by the State Board
2 of Equalization pursuant to Section 2355.1A of this
3 title.

4 2. Married individuals filing jointly and surviving spouse to
5 the extent and in the manner that a surviving spouse is permitted to
6 file a joint return under the provisions of the Internal Revenue
7 Code of 1986, as amended, and heads of households as defined in the
8 Internal Revenue Code of 1986, as amended:

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

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

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

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

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

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

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

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

20 individual income tax rate otherwise authorized by

21 this subparagraph shall be contingent upon the

22 determination required to be made by the State Board

23 of Equalization pursuant to Section 2355.1A of this

24 title.

1 C. Individuals. For ~~all taxable years beginning on or after~~
2 ~~January 1, 2024~~ tax year 2024, a tax is hereby imposed upon the
3 Oklahoma taxable income of every resident or nonresident individual,
4 which 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, and
12 (f) 4.75% tax on the remainder.

13 2. Married individuals filing jointly and surviving spouse to
14 the extent and in the manner that a surviving spouse is permitted to
15 file a joint return under the provisions of the Internal Revenue
16 Code of 1986, as amended, and heads of households as defined in the
17 Internal Revenue Code of 1986, as amended:

- 18 (a) 0.25% tax on first \$2,000.00 or part thereof,
19 (b) 0.75% tax on next \$3,000.00 or part thereof,
20 (c) 1.75% tax on next \$2,500.00 or part thereof,
21 (d) 2.75% tax on next \$2,300.00 or part thereof,
22 (e) 3.75% tax on next \$4,600.00 or part thereof, and
23 (f) 4.75% tax on the remainder.

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

3 D. For tax year 2025 and subsequent tax years, a tax is hereby
4 imposed upon the Oklahoma taxable income of every resident or
5 nonresident individual, which tax shall be four and seventy-five
6 hundredths percent (4.75%). No deduction for federal income taxes
7 paid shall be allowed to any taxpayer to arrive at taxable income.

8 E. Nonresident aliens. In lieu of the rates set forth in
9 subsection A above, there shall be imposed on nonresident aliens, as
10 defined in the Internal Revenue Code of 1986, as amended, a tax of
11 eight percent (8%) instead of thirty percent (30%) as used in the
12 Internal Revenue Code of 1986, as amended, with respect to the
13 Oklahoma taxable income of such nonresident aliens as determined
14 under the provision of the Oklahoma Income Tax Act.

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

1 amounts paid to each payee during the calendar year, furnish to such
2 payee, on or before January 31⁷ of the succeeding year, a written
3 statement showing the name of the payer, the name of the payee and
4 the payee's Social Security account number, if any, the total amount
5 paid subject to taxation, and the total amount deducted and withheld
6 as tax and such other information as the Tax Commission may require.
7 Any payer who fails to withhold or pay to the Tax Commission any
8 sums herein required to be withheld or paid shall be personally and
9 individually liable therefor to the State of Oklahoma.

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

15 There shall be no additional Oklahoma income tax imposed on
16 accumulated taxable income or on undistributed personal holding
17 company income as those terms are defined in the Internal Revenue
18 Code of 1986, as amended.

19 ~~F.~~ G. Certain foreign corporations. In lieu of the tax imposed
20 in the first paragraph of subsection ~~D~~ F of this section, for all
21 taxable years beginning after December 31, 2021, there shall be
22 imposed on foreign corporations, as defined in the Internal Revenue
23 Code of 1986, as amended, a tax of four percent (4%) instead of
24 thirty percent (30%) as used in the Internal Revenue Code of 1986,

1 as amended, where such income is received from sources within
2 ~~Oklahoma~~ this state, in accordance with the provisions of the
3 Internal Revenue Code of 1986, as amended, and the Oklahoma Income
4 Tax Act.

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

1 ~~G.~~ H. Fiduciaries. A tax is hereby imposed upon the Oklahoma
2 taxable income of every trust and estate at the same rates as are
3 provided in ~~subsection B or C~~ subsections B through D of this
4 section for single individuals. Fiduciaries are not allowed a
5 deduction for any federal income tax paid.

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

20 SECTION 2. AMENDATORY 68 O.S. 2021, Section 2358, as
21 last amended by Section 155, Chapter 452, O.S.L. 2024 (68 O.S. Supp.
22 2024, Section 2358), is amended to read as follows:

23 Section 2358. For all tax years beginning after December 31,
24 1981, taxable income and adjusted gross income shall be adjusted to

1 arrive at Oklahoma taxable income and Oklahoma adjusted gross income
2 as required by this section.

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

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

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

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

17 a. For carryovers and carrybacks to taxable years
18 beginning before January 1, 1981, the amount of any
19 net operating loss deduction allowed to a taxpayer for
20 federal income tax purposes shall be reduced to an
21 amount which is the same portion thereof as the loss
22 from sources within this state, as determined pursuant
23 to this section and Section 2362 of this title, for
24

1 the taxable year in which such loss is sustained is of
2 the total loss for such year;

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

1 carried back shall be limited to two (2) years. For
2 tax years beginning after December 31, 2008, the years
3 to which such losses may be carried back shall be
4 determined solely by reference to Section 172 of the
5 Internal Revenue Code of 1986, as amended, 26 U.S.C.,
6 Section 172, with the exception that the terms "net
7 operating loss" and "taxable income" shall be replaced
8 with "Oklahoma net operating loss" and "Oklahoma
9 taxable income".

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

- 15 a. Income from real and tangible personal property, such
16 as rents, oil and mining production or royalties, and
17 gains or losses from sales of such property, shall be
18 allocated in accordance with the situs of such
19 property;
- 20 b. Income from intangible personal property, such as
21 interest, dividends, patent or copyright royalties,
22 and gains or losses from sales of such property, shall
23 be allocated in accordance with the domiciliary situs
24 of the taxpayer, except that:

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

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

1 than fifty percent (50%) of the value of the
2 partnership's assets consists of intangible
3 assets, capital or ordinary gains or losses from
4 the sale of an ownership interest in the
5 partnership shall be allocated to this state in
6 accordance with the sales factor of the
7 partnership for its first full tax period
8 immediately preceding its tax period during which
9 the ownership interest in the partnership was
10 sold; the provisions of this division shall only
11 apply if the capital or ordinary gains or losses
12 from the sale of an ownership interest in a
13 partnership do not constitute qualifying gain
14 receiving capital treatment as defined in
15 subparagraph a of paragraph 2 of subsection F of
16 this section,

17 (3) income from such property which is required to be
18 allocated pursuant to the provisions of paragraph
19 5 of this subsection shall be allocated as herein
20 provided;

21 c. Net income or loss from a business activity which is
22 not a part of business carried on within or without
23 the state of a unitary character shall be separately
24

1 allocated to the state in which such activity is
2 conducted;

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

6 (1) sales having a situs without this state, shipped
7 directly to a point from without the state to a
8 purchaser within the state, commonly known as
9 interstate sales,

10 (2) sales of the product stored in public warehouses
11 within the state pursuant to "in transit"
12 tariffs, as prescribed and allowed by the
13 Interstate Commerce Commission, to a purchaser
14 within the state,

15 (3) sales of the product stored in public warehouses
16 within the state where the shipment to such
17 warehouses is not covered by "in transit"
18 tariffs, as prescribed and allowed by the
19 Interstate Commerce Commission, to a purchaser
20 within or without the state,

21 the Oklahoma net income shall, at the option of the
22 taxpayer, be that portion of the total net income of
23 the taxpayer for federal income tax purposes derived
24 from the manufacture and/or processing and sales
25

1 everywhere as determined by the ratio of the sales
2 defined in this section made to the purchaser within
3 the state to the total sales everywhere. The term
4 "public warehouse" as used in this subparagraph means
5 a licensed public warehouse, the principal business of
6 which is warehousing merchandise for the public;

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

12 (1) except as otherwise provided by division (2) of
13 this subparagraph, taxable income of an insurance
14 company for a taxable year shall be apportioned
15 to this state by multiplying such income by a
16 fraction, the numerator of which is the direct
17 premiums written for insurance on property or
18 risks in this state, and the denominator of which
19 is the direct premiums written for insurance on
20 property or risks everywhere. For purposes of
21 this subsection, the term "direct premiums
22 written" means the total amount of direct
23 premiums written, assessments and annuity
24 considerations as reported for the taxable year

1 on the annual statement filed by the company with
2 the Insurance Commissioner in the form approved
3 by the National Association of Insurance
4 Commissioners, or such other form as may be
5 prescribed in lieu thereof,

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

1 basis of the proportion which premiums written
2 for insurance accepted from companies
3 commercially domiciled in ~~Oklahoma~~ this state
4 bears to premiums written for reinsurance
5 accepted from all sources, or alternatively in
6 the proportion which the sum of the direct
7 premiums written for insurance on property or
8 risks in this state by each ceding company from
9 which reinsurance is accepted bears to the sum of
10 the total direct premiums written by each such
11 ceding company for the taxable year.

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

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

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

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

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

17 (3) The average value of property shall be determined
18 by averaging the values at the beginning and
19 ending of the tax period but the Oklahoma Tax
20 Commission may require the averaging of monthly
21 values during the tax period if reasonably
22 required to reflect properly the average value of
23 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
25

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
25

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
25

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.

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
25

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
25

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
25

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~~ For tax year 2024 and preceding tax years, in the
7 case of individuals, there shall be added or deducted,
8 as the case may be, the difference necessary to allow
9 personal exemptions of One Thousand Dollars
10 (\$1,000.00) in lieu of the personal exemptions allowed
11 by the Internal Revenue Code of 1986, as amended.

12 b. ~~There~~ For tax year 2024 and preceding tax years, there
13 shall be allowed an additional exemption of One
14 Thousand Dollars (\$1,000.00) for each taxpayer or
15 spouse who is blind at the close of the tax year. For
16 purposes of this subparagraph, an individual is blind
17 only if the central visual acuity of the individual
18 does not exceed 20/200 in the better eye with
19 correcting lenses, or if the visual acuity of the
20 individual is greater than 20/200, but is accompanied
21 by a limitation in the fields of vision such that the
22 widest diameter of the visual field subtends an angle
23 no greater than twenty (20) degrees.

1 c. ~~There~~ For tax year 2024 and preceding tax years, there
2 shall be allowed an additional exemption of One
3 Thousand Dollars (\$1,000.00) for each taxpayer or
4 spouse who is sixty-five (65) years of age or older at
5 the close of the tax year based upon the filing status
6 and federal adjusted gross income of the taxpayer.
7 Taxpayers with the following filing status may claim
8 this exemption if the federal adjusted gross income
9 does not exceed:

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

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

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

3 2. a. For taxable years beginning on or before December 31,
4 2005, in the case of individuals who use the standard
5 deduction in determining taxable income, there shall
6 be added or deducted, as the case may be, the
7 difference necessary to allow a standard deduction in
8 lieu of the standard deduction allowed by the Internal
9 Revenue Code of 1986, as amended, in an amount equal
10 to the larger of fifteen percent (15%) of the Oklahoma
11 adjusted gross income or One Thousand Dollars
12 (\$1,000.00), but not to exceed Two Thousand Dollars
13 (\$2,000.00), except that in the case of a married
14 individual filing a separate return such deduction
15 shall be the larger of fifteen percent (15%) of such
16 Oklahoma adjusted gross income or Five Hundred Dollars
17 (\$500.00), but not to exceed the maximum amount of One
18 Thousand Dollars (\$1,000.00).

19 b. For taxable years beginning on or after January 1,
20 2006, and before January 1, 2007, in the case of
21 individuals who use the standard deduction in
22 determining taxable income, there shall be added or
23 deducted, as the case may be, the difference necessary
24 to allow a standard deduction in lieu of the standard
25

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

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

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

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

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

19 (2) Four Thousand One Hundred Twenty-five Dollars
20 (\$4,125.00) for a head of household, or

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

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

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

12 (2) Four Thousand Eight Hundred Seventy-five Dollars
13 (\$4,875.00) for a head of household, or

14 (3) Three Thousand Two Hundred Fifty Dollars
15 (\$3,250.00), if the filing status is single or
16 married filing separate.

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

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

4 (2) Six Thousand Three Hundred Seventy-five Dollars
5 (\$6,375.00) for a head of household, or

6 (3) Four Thousand Two Hundred Fifty Dollars
7 (\$4,250.00), if the filing status is single or
8 married filing separate.

9 Oklahoma adjusted gross income shall be increased by
10 any amounts paid for motor vehicle excise taxes which
11 were deducted as allowed by the Internal Revenue Code
12 of 1986, as amended.

13 f. For taxable years beginning on or after January 1,
14 2010, and ending on December 31, 2016, in the case of
15 individuals who use the standard deduction in
16 determining taxable income, there shall be added or
17 deducted, as the case may be, the difference necessary
18 to allow a standard deduction equal to the standard
19 deduction allowed by the Internal Revenue Code of
20 1986, as amended, based upon the amount and filing
21 status prescribed by such Code for purposes of filing
22 federal individual income tax returns.

23 g. For ~~taxable years beginning on or after January 1,~~
24 2017 tax years 2017 through 2024, in the case of

1 individuals who use the standard deduction in
2 determining taxable income, there shall be added or
3 deducted, as the case may be, the difference necessary
4 to allow a standard deduction in lieu of the standard
5 deduction allowed by the Internal Revenue Code of
6 1986, as amended, as follows:

- 7 (1) Six Thousand Three Hundred Fifty Dollars
8 (\$6,350.00) for single or married filing
9 separately,
10 (2) Twelve Thousand Seven Hundred Dollars
11 (\$12,700.00) for married filing jointly or
12 qualifying widower with dependent child, and
13 (3) Nine Thousand Three Hundred Fifty Dollars
14 (\$9,350.00) for head of household.

15 h. For tax year 2025, in the case of individuals who use
16 the standard deduction in determining taxable income,
17 there shall be added or deducted, as the case may be,
18 the difference necessary to allow a standard deduction
19 in lieu of the standard deduction allowed by the
20 Internal Revenue Code of 1986, as amended, as follows:

- 21 (1) Fourteen Thousand Dollars (\$14,000.00) for single
22 or married filing separately,
23
24
25

1 (2) Twenty-eight Thousand Dollars (\$28,000.00) for
2 married filing jointly or qualifying widower with
3 dependent child, and

4 (3) Twenty-one Thousand Five Hundred Dollars
5 (\$21,500.00) for head of household.

6 i. For tax year 2026 and subsequent tax years, in the
7 case of individuals who use the standard deduction in
8 determining taxable income, there shall be added or
9 deducted, as the case may be, the difference necessary
10 to allow a standard deduction equal to One Thousand
11 Dollars (\$1,000.00) less than the standard deduction
12 allowed by the Internal Revenue Code of 1986, as
13 amended, for those filing single, head of household,
14 or married filing separately, and Two Thousand Dollars
15 (\$2,000.00) less than the standard deduction allowed
16 by the Internal Revenue Code of 1986, as amended, for
17 those married filing jointly or qualifying widower
18 with dependent child, based upon the amount and filing
19 status prescribed by such Code for purposes of filing
20 federal individual income tax returns.

21 3. a. In the case of resident and part-year resident
22 individuals having adjusted gross income from sources
23 both within and without the state, the itemized or
24 standard deductions and personal exemptions shall be

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

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

23 4. A resident individual with a physical disability
24 constituting a substantial handicap to employment may deduct from
25

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

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

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

1 c. Whenever the filing of a timely income tax return by a
2 member of the Armed Forces of the United States is
3 made impracticable or impossible of accomplishment by
4 reason of:

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

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

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

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

17 (a) Such individual shall return to the United
18 States if the extension is granted pursuant
19 to ~~subparagraph a~~ division 1 of this
20 ~~paragraph~~ subparagraph, return to ~~the State~~
21 ~~of Oklahoma~~ this state if the extension is
22 granted pursuant to ~~subparagraph b~~ division
23 2 of this ~~paragraph~~ subparagraph or be
24 discharged from such hospital if the
25

1 extension is granted pursuant to
2 ~~subparagraph e~~ division 3 of this ~~paragraph~~
3 subparagraph, or

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

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

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

23 7. a. An individual taxpayer, whether resident or
24 nonresident, may deduct an amount equal to the federal
25

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

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

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

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

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

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

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

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

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

22 12. For taxable years beginning after December 31, 1996, the
23 Oklahoma adjusted gross income of any individual taxpayer who is a
24 swine or poultry producer may be further adjusted for the deduction
25

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

20 d. The amount of the exemption provided by this paragraph
21 shall be limited to Five Thousand Five Hundred Dollars
22 (\$5,500.00) for the 2004 tax year, Seven Thousand Five
23 Hundred Dollars (\$7,500.00) for the 2005 tax year and
24 Ten Thousand Dollars (\$10,000.00) for the tax year
25

1 2006 and for all subsequent tax years. Any individual
2 who claims the exemption provided for in paragraph 8
3 of this subsection shall not be permitted to claim a
4 combined total exemption pursuant to this paragraph
5 and paragraph 8 of this subsection in an amount
6 exceeding Five Thousand Five Hundred Dollars
7 (\$5,500.00) for the 2004 tax year, Seven Thousand Five
8 Hundred Dollars (\$7,500.00) for the 2005 tax year and
9 Ten Thousand Dollars (\$10,000.00) for the 2006 tax
10 year and all subsequent tax years.

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

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

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

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

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

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

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

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

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

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

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

17 f. As used in this paragraph:

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

21 (a) a qualified withdrawal,

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

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

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

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

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

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

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

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

22 19. a. For taxable years beginning after December 31, 2007, a
23 resident individual may deduct up to Ten Thousand
24 Dollars (\$10,000.00) from Oklahoma adjusted gross
25

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

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

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

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

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

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

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

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

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

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

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

17 2. As used in this subsection:

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

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

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

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

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

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

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

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

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

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

23 (1) With respect to sales of real property or
24 tangible personal property located within
25

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

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

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

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

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

23 2. For purposes of computing its Oklahoma taxable income under
24 this section, a taxpayer shall add back otherwise deductible rents
25

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 Internal Revenue Code of 1986, as amended,

2 or is exempt from entity level tax,

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

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

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

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

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

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

13 SECTION 3. This act shall become effective July 1, 2025.

14 SECTION 4. It being immediately necessary for the preservation
15 of the public peace, health or safety, an emergency is hereby
16 declared to exist, by reason whereof this act shall take effect and
17 be in full force from and after its passage and approval.

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