

1 STATE OF OKLAHOMA

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

3 COMMITTEE SUBSTITUTE  
4 FOR

5 SENATE BILL NO. 304

By: Rader of the Senate

and

Kendrix of the House

6  
7  
8  
9 COMMITTEE SUBSTITUTE

10 An Act relating to income tax; amending 68 O.S. 2021,  
11 Section 2355, as last amended by Section 1, Chapter  
12 27, 1st Extraordinary Session, O.S.L. 2023 (68 O.S.  
13 Supp. 2024, Section 2355), which relates to tax  
14 imposed on classes of taxpayers; modifying income tax  
15 rate for certain tax years; amending 68 O.S. 2021,  
16 Section 2358, as last amended by Section 155, Chapter  
17 452, O.S.L. 2024 (68 O.S. Supp. 2024, Section 2358),  
18 which relates to adjustments; limiting certain  
19 personal exemption to certain tax years; modifying  
20 amount of standard deduction for certain tax years;  
21 updating statutory references; updating statutory  
22 language; and providing an effective date.  
23  
24

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:

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

6 1. METHOD 1.

7 a. Single individuals and married individuals filing  
8 separately not deducting federal income tax:

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

10 (2) 1% tax on next \$1,500.00 or part thereof,

11 (3) 2% tax on next \$1,250.00 or part thereof,

12 (4) 3% tax on next \$1,150.00 or part thereof,

13 (5) 4% tax on next \$1,300.00 or part thereof,

14 (6) 5% tax on next \$1,500.00 or part thereof,

15 (7) 6% tax on next \$2,300.00 or part thereof, and

16 (8) (a) for taxable years beginning after December  
17 31, 1998, and before January 1, 2002, 6.75%  
18 tax on the remainder,

19 (b) for taxable years beginning on or after  
20 January 1, 2002, and before January 1, 2004,  
21 7% tax on the remainder, and

22 (c) for taxable years beginning on or after  
23 January 1, 2004, 6.65% tax on the remainder.  
24

1 b. Married individuals filing jointly and surviving  
2 spouse to the extent and in the manner that a  
3 surviving spouse is permitted to file a joint return  
4 under the provisions of the Internal Revenue Code of  
5 1986, as amended, and heads of households as defined  
6 in the Internal Revenue Code of 1986, as amended, not  
7 deducting federal income tax:

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

9 (2) 1% tax on next \$3,000.00 or part thereof,

10 (3) 2% tax on next \$2,500.00 or part thereof,

11 (4) 3% tax on next \$2,300.00 or part thereof,

12 (5) 4% tax on next \$2,400.00 or part thereof,

13 (6) 5% tax on next \$2,800.00 or part thereof,

14 (7) 6% tax on next \$6,000.00 or part thereof, and

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

16 31, 1998, and before January 1, 2002, 6.75%

17 tax on the remainder,

18 (b) for taxable years beginning on or after

19 January 1, 2002, and before January 1, 2004,

20 7% tax on the remainder, and

21 (c) for taxable years beginning on or after

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

23 2. METHOD 2.

24

1 a. Single individuals and married individuals filing  
2 separately deducting federal income tax:

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

4 (2) 1% tax on next \$1,500.00 or part thereof,

5 (3) 2% tax on next \$1,250.00 or part thereof,

6 (4) 3% tax on next \$1,150.00 or part thereof,

7 (5) 4% tax on next \$1,200.00 or part thereof,

8 (6) 5% tax on next \$1,400.00 or part thereof,

9 (7) 6% tax on next \$1,500.00 or part thereof,

10 (8) 7% tax on next \$1,500.00 or part thereof,

11 (9) 8% tax on next \$2,000.00 or part thereof,

12 (10) 9% tax on next \$3,500.00 or part thereof, and

13 (11) 10% tax on the remainder.

14 b. Married individuals filing jointly and surviving  
15 spouse to the extent and in the manner that a  
16 surviving spouse is permitted to file a joint return  
17 under the provisions of the Internal Revenue Code of  
18 1986, as amended, and heads of households as defined  
19 in the Internal Revenue Code of 1986, as amended,  
20 deducting federal income tax:

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

22 (2) 1% tax on the next \$3,000.00 or part thereof,

23 (3) 2% tax on the next \$2,500.00 or part thereof,

24 (4) 3% tax on the next \$1,400.00 or part thereof,

- 1 (5) 4% tax on the next \$1,500.00 or part thereof,
- 2 (6) 5% tax on the next \$1,600.00 or part thereof,
- 3 (7) 6% tax on the next \$1,250.00 or part thereof,
- 4 (8) 7% tax on the next \$1,750.00 or part thereof,
- 5 (9) 8% tax on the next \$3,000.00 or part thereof,
- 6 (10) 9% tax on the next \$6,000.00 or part thereof, and
- 7 (11) 10% tax on the remainder.

8 B. Individuals. For all taxable years beginning on or after  
9 January 1, 2008, and ending any tax year which begins after December  
10 31, 2015, for which the determination required pursuant to Sections  
11 4 2355.1F and 5 2355.1G of this ~~act~~ title is made by the State Board  
12 of Equalization, a tax is hereby imposed upon the Oklahoma taxable  
13 income of every resident or nonresident individual, which tax shall  
14 be computed as follows:

15 1. Single individuals and married individuals filing  
16 separately:

- 17 (a) 1/2% tax on first \$1,000.00 or part thereof,
- 18 (b) 1% tax on next \$1,500.00 or part thereof,
- 19 (c) 2% tax on next \$1,250.00 or part thereof,
- 20 (d) 3% tax on next \$1,150.00 or part thereof,
- 21 (e) 4% tax on next \$2,300.00 or part thereof,
- 22 (f) 5% tax on next \$1,500.00 or part thereof,

- 1 (g) 5.50% tax on the remainder for the 2008 tax year and  
2 any subsequent tax year unless the rate prescribed by  
3 subparagraph (h) of this paragraph is in effect, and  
4 (h) 5.25% tax on the remainder for the 2009 and subsequent  
5 tax years. The decrease in the top marginal  
6 individual income tax rate otherwise authorized by  
7 this subparagraph shall be contingent upon the  
8 determination required to be made by the State Board  
9 of Equalization pursuant to Section 2355.1A of this  
10 title.

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

- 16 (a) 1/2% tax on first \$2,000.00 or part thereof,  
17 (b) 1% tax on next \$3,000.00 or part thereof,  
18 (c) 2% tax on next \$2,500.00 or part thereof,  
19 (d) 3% tax on next \$2,300.00 or part thereof,  
20 (e) 4% tax on next \$2,400.00 or part thereof,  
21 (f) 5% tax on next \$2,800.00 or part thereof,  
22 (g) 5.50% tax on the remainder for the 2008 tax year and  
23 any subsequent tax year unless the rate prescribed by  
24 subparagraph (h) of this paragraph is in effect, and

1 (h) 5.25% tax on the remainder for the 2009 and subsequent  
2 tax years. The decrease in the top marginal  
3 individual income tax rate otherwise authorized by  
4 this subparagraph shall be contingent upon the  
5 determination required to be made by the State Board  
6 of Equalization pursuant to Section 2355.1A of this  
7 title.

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

12 1. Single individuals and married individuals filing  
13 separately:

- 14 (a) 0.25% tax on first \$1,000.00 or part thereof,
- 15 (b) 0.75% tax on next \$1,500.00 or part thereof,
- 16 (c) 1.75% tax on next \$1,250.00 or part thereof,
- 17 (d) 2.75% tax on next \$1,150.00 or part thereof,
- 18 (e) 3.75% tax on next \$2,300.00 or part thereof, and
- 19 (f) 4.75% tax on the remainder.

20 2. Married individuals filing jointly and surviving spouse to  
21 the extent and in the manner that a surviving spouse is permitted to  
22 file a joint return under the provisions of the Internal Revenue  
23 Code of 1986, as amended, and heads of households as defined in the  
24 Internal Revenue Code of 1986, as amended:

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

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

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

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

22 Every payer of amounts covered by this subsection shall deduct  
23 and withhold from such amounts paid each payee an amount equal to  
24 eight percent (8%) thereof. Every payer required to deduct and



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

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

22 There shall be no additional Oklahoma income tax imposed on  
23 accumulated taxable income or on undistributed personal holding  
24

1 company income as those terms are defined in the Internal Revenue  
2 Code of 1986, as amended.

3 ~~F.~~ G. Certain foreign corporations. In lieu of the tax imposed  
4 in the first paragraph of subsection ~~D~~ F of this section, for all  
5 taxable years beginning after December 31, 2021, there shall be  
6 imposed on foreign corporations, as defined in the Internal Revenue  
7 Code of 1986, as amended, a tax of four percent (4%) instead of  
8 thirty percent (30%) as used in the Internal Revenue Code of 1986,  
9 as amended, where such income is received from sources within  
10 ~~Oklahoma~~ this state, in accordance with the provisions of the  
11 Internal Revenue Code of 1986, as amended, and the Oklahoma Income  
12 Tax Act.

13 Every payer of amounts covered by this subsection shall deduct  
14 and withhold from such amounts paid each payee an amount equal to  
15 four percent (4%) thereof. Every payer required to deduct and  
16 withhold taxes under this subsection shall for each quarterly period  
17 on or before the last day of the month following the close of each  
18 such quarterly period, pay over the amount so withheld as taxes to  
19 the Tax Commission, and shall file a return with each such payment.  
20 Such return shall be in such form as the Tax Commission shall  
21 prescribe. Every payer required under this subsection to deduct and  
22 withhold a tax from a payee shall, as to the total amounts paid to  
23 each payee during the calendar year, furnish to such payee, on or  
24 before January 31~~7~~ of the succeeding year, a written statement

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

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

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

1 taxpayer, the amount determined by the Tax Commission for the tax  
2 rate category in which such taxpayer falls.

3 SECTION 2. AMENDATORY 68 O.S. 2021, Section 2358, as  
4 last amended by Section 155, Chapter 452, O.S.L. 2024 (68 O.S. Supp.  
5 2024, Section 2358), is amended to read as follows:

6 Section 2358. For all tax years beginning after December 31,  
7 1981, taxable income and adjusted gross income shall be adjusted to  
8 arrive at Oklahoma taxable income and Oklahoma adjusted gross income  
9 as required by this section.

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

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

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

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

24

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

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

1 Section 172 of the Internal Revenue Code of 1986, as  
2 amended, 26 U.S.C., Section 172, with the exception  
3 that the terms "net operating loss" and "taxable  
4 income" shall be replaced with "Oklahoma net operating  
5 loss" and "Oklahoma taxable income". For tax years  
6 beginning after December 31, 2007, and ending before  
7 January 1, 2009, years to which such losses may be  
8 carried back shall be limited to two (2) years. For  
9 tax years beginning after December 31, 2008, the years  
10 to which such losses may be carried back shall be  
11 determined solely by reference to Section 172 of the  
12 Internal Revenue Code of 1986, as amended, 26 U.S.C.,  
13 Section 172, with the exception that the terms "net  
14 operating loss" and "taxable income" shall be replaced  
15 with "Oklahoma net operating loss" and "Oklahoma  
16 taxable income".

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

22 a. Income from real and tangible personal property, such  
23 as rents, oil and mining production or royalties, and  
24 gains or losses from sales of such property, shall be

1 allocated in accordance with the situs of such  
2 property;

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

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

22 (2) for taxable years beginning after December 31,  
23 2003, capital or ordinary gains or losses from  
24 the sale of an ownership interest in a publicly

1 traded partnership, as defined by Section 7704(b)  
2 of the Internal Revenue Code of 1986, as amended,  
3 shall be allocated to this state in the ratio of  
4 the original cost of such partnership's tangible  
5 property in this state to the original cost of  
6 such partnership's tangible property everywhere,  
7 as determined at the time of the sale; if more  
8 than fifty percent (50%) of the value of the  
9 partnership's assets consists of intangible  
10 assets, capital or ordinary gains or losses from  
11 the sale of an ownership interest in the  
12 partnership shall be allocated to this state in  
13 accordance with the sales factor of the  
14 partnership for its first full tax period  
15 immediately preceding its tax period during which  
16 the ownership interest in the partnership was  
17 sold; the provisions of this division shall only  
18 apply if the capital or ordinary gains or losses  
19 from the sale of an ownership interest in a  
20 partnership do not constitute qualifying gain  
21 receiving capital treatment as defined in  
22 subparagraph a of paragraph 2 of subsection F of  
23 this section,  
24



1 (3) income from such property which is required to be  
2 allocated pursuant to the provisions of paragraph  
3 5 of this subsection shall be allocated as herein  
4 provided;

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

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

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

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

22 (3) sales of the product stored in public warehouses  
23 within the state where the shipment to such  
24 warehouses is not covered by "in transit"

1 tariffs, as prescribed and allowed by the  
2 Interstate Commerce Commission, to a purchaser  
3 within or without the state,

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

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

19 (1) except as otherwise provided by division (2) of  
20 this subparagraph, taxable income of an insurance  
21 company for a taxable year shall be apportioned  
22 to this state by multiplying such income by a  
23 fraction, the numerator of which is the direct  
24 premiums written for insurance on property or

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

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

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

19 5. The net income or loss remaining after the separate  
20 allocation in paragraph 4 of this subsection, being that which is  
21 derived from a unitary business enterprise, shall be apportioned to  
22 this state on the basis of the arithmetical average of three factors  
23 consisting of property, payroll and sales or gross revenue  
24 enumerated as subparagraphs a, b and c of this paragraph. Net

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

21 a. The property factor is a fraction, the numerator of  
22 which is the average value of the taxpayer's real and  
23 tangible personal property owned or rented and used in  
24 this state during the tax period and the denominator

1 of which is the average value of all the taxpayer's  
2 real and tangible personal property everywhere owned  
3 or rented and used during the tax period.

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

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

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

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

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

1           ~~Oklahoma~~ this state bears to total mileage  
2           traveled by such employees,

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

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

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



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

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

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

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

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

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

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

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

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

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

3 For purposes of this paragraph:

4 a. "Agricultural commodity processing facility" means  
5 ~~building~~ buildings, structures, fixtures and  
6 improvements used or operated primarily for the  
7 processing or production of marketable products from  
8 agricultural commodities. The term shall also mean a  
9 dairy operation that requires a depreciable investment  
10 of at least Two Hundred Fifty Thousand Dollars  
11 (\$250,000.00) and which produces milk from dairy cows.

12 The term does not include a facility that provides  
13 only, and nothing more than, storage, cleaning, drying  
14 or transportation of agricultural commodities, and

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

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

21 (2) transporting the agricultural commodities or  
22 product before, during or after the processing,  
23 or  
24

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

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

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

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

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

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

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

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

15 B. 1. The taxable income of any corporation shall be further  
16 adjusted to arrive at Oklahoma taxable income, except those  
17 corporations electing treatment as provided in subchapter S of the  
18 Internal Revenue Code of 1986, as amended, 26 U.S.C., Section 1361  
19 et seq., and Section 2365 of this title, deductions pursuant to the  
20 provisions of the Accelerated Cost Recovery System as ~~defined~~  
21 provided and allowed in the Economic Recovery Tax Act of 1981,  
22 Public Law 97-34, 26 U.S.C., Section 168, for depreciation of assets  
23 placed into service after December 31, 1981, shall not be allowed in  
24 calculating Oklahoma taxable income. Such corporations shall be



1 allowed a deduction for depreciation of assets placed into service  
2 after December 31, 1981, in accordance with provisions of the  
3 Internal Revenue Code of 1986, as amended, 26 U.S.C., Section 1 et  
4 seq., in effect immediately prior to the enactment of the  
5 Accelerated Cost Recovery System. The Oklahoma tax basis for all  
6 such assets placed into service after December 31, 1981, calculated  
7 in this section shall be retained and utilized for all Oklahoma  
8 income tax purposes through the final disposition of such assets.

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

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

23 2. For tax years beginning on or after January 1, 2009, and  
24 ending on or before December 31, 2009, there shall be added to

1 Oklahoma taxable income any amount in excess of One Hundred Seventy-  
2 five Thousand Dollars (\$175,000.00) which has been deducted as a  
3 small business expense under Internal Revenue Code of 1986, as  
4 amended, Section 179 as provided in the American Recovery and  
5 Reinvestment Act of 2009.

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

20 2. For purposes of this subsection:

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

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

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

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

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

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

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

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

4 2. As used in this subsection:

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

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

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

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

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

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

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

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

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

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

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

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

- 14 1. a. ~~In~~ For tax year 2024 and preceding tax years, in the  
15 case of individuals, there shall be added or deducted,  
16 as the case may be, the difference necessary to allow  
17 personal exemptions of One Thousand Dollars  
18 (\$1,000.00) in lieu of the personal exemptions allowed  
19 by the Internal Revenue Code of 1986, as amended.
- 20 b. ~~There~~ For tax year 2024 and preceding tax years, there  
21 shall be allowed an additional exemption of One  
22 Thousand Dollars (\$1,000.00) for each taxpayer or  
23 spouse who is blind at the close of the tax year. For  
24 purposes of this subparagraph, an individual is blind

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4            g. For ~~taxable years beginning on or after January 1,~~  
5            ~~2017~~ tax years 2017 through 2024, in the case of  
6            individuals who use the standard deduction in  
7            determining taxable income, there shall be added or  
8            deducted, as the case may be, the difference necessary  
9            to allow a standard deduction in lieu of the standard  
10           deduction allowed by the Internal Revenue Code of  
11           1986, as amended, as follows:

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

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

18           (3) Nine Thousand Three Hundred Fifty Dollars  
19                  (\$9,350.00) for head of household.

20           h. For tax year 2025 and subsequent tax years, in the  
21           case of individuals who use the standard deduction in  
22           determining taxable income, there shall be added or  
23           deducted, as the case may be, the difference necessary  
24           to allow a standard deduction in lieu of the standard

1           deduction allowed by the Internal Revenue Code of  
2           1986, as amended, as follows:

3           (1) Thirteen Thousand Five Hundred Fifty Dollars  
4           (\$13,550.00) for single or married filing  
5           separately,

6           (2) Twenty-seven Thousand One Hundred Dollars  
7           (\$27,100.00) for married filing jointly or  
8           qualifying widower with dependent child, and

9           (3) Nineteen Thousand Two Hundred Twenty-five Dollars  
10           (\$19,225.00) for head of household.

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

1 standard deductions and personal exemptions shall be  
2 subject to proration as provided by law.

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

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

1 The Tax Commission shall prescribe necessary requirements for  
2 verification.

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

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

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

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

22 (2) absence from ~~the State of Oklahoma~~ this state  
23 while on active duty, or  
24



1 (3) confinement in a hospital within the United  
2 States for treatment of wounds, injuries or  
3 disease,  
4 the time for filing a return and paying an income tax  
5 shall be and is hereby extended without incurring  
6 liability for interest or penalties, to the fifteenth  
7 day of the third month following the month in which:

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

19 (b) An executor, administrator, or conservator  
20 of the estate of the taxpayer is appointed,  
21 whichever event occurs the earliest.

22 Provided, that the Tax Commission may, in its discretion, grant  
23 any member of the Armed Forces of the United States an extension of  
24 time for filing of income tax returns and payment of income tax

1 without incurring liabilities for interest or penalties. Such  
2 extension may be granted only when in the judgment of the Tax  
3 Commission a good cause exists therefor and may be for a period in  
4 excess of six (6) months. A record of every such extension granted,  
5 and the reason therefor, shall be kept.

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

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

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

1 the ratio of the Oklahoma adjusted gross income to  
2 federal adjusted gross income.

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

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

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

1 the Teachers' Retirement System of Oklahoma, the Oklahoma Law  
2 Enforcement Retirement System, the Oklahoma Firefighters Pension and  
3 Retirement System, the Oklahoma Police Pension and Retirement  
4 System, the employee retirement systems created by counties pursuant  
5 to Section 951 et seq. of Title 19 of the Oklahoma Statutes, ~~the~~ The  
6 Uniform Retirement System for Justices and Judges, the Oklahoma  
7 Wildlife Conservation Department Retirement Fund, the Oklahoma  
8 Employment Security Commission Retirement Plan, or the employee  
9 retirement systems created by municipalities pursuant to Section 48-  
10 101 et seq. of Title 11 of the Oklahoma Statutes shall be exempt  
11 from taxable income.

12 9. In taxable years beginning after December 31, 1984, Social  
13 Security benefits received by an individual shall be exempt from  
14 taxable income, to the extent such benefits are included in the  
15 federal adjusted gross income pursuant to the provisions of Section  
16 86 of the Internal Revenue Code of 1986, as amended, 26 U.S.C.,  
17 Section 86.

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

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

9 11. In taxable years beginning after December 31, 1995,  
10 contributions made to and interest received from a medical savings  
11 account established pursuant to Sections 2621 through 2623 of Title  
12 63 of the Oklahoma Statutes shall be exempt from taxable income.

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

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

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

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

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

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

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

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

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

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

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

22 (4) an employee annuity subject to the provisions of  
23 Section 403(a) or (b) of the Internal Revenue  
24



1 Code of 1986, as amended, 26 U.S.C., Section  
2 403(a) or (b),

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

7 (6) lump-sum distributions from a retirement plan  
8 which satisfies the requirements of Section  
9 402(e) of the Internal Revenue Code of 1986, as  
10 amended, 26 U.S.C., Section 402(e).

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

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

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

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

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

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

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

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

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

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

1 gross income of the taxpayer in the taxable year of  
2 the rollover.

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

9 f. As used in this paragraph:

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

13 (a) a qualified withdrawal,

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

17 (c) a withdrawal that is made on the account of  
18 a scholarship or the allowance or payment  
19 described in Section 135(d)(1)(B) or (C) or  
20 by the Internal Revenue Code of 1986, as  
21 amended, received by the designated  
22 beneficiary to the extent the amount of the  
23 refund does not exceed the amount of the  
24 scholarship, allowance, or payment, or

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

5 (2) "rollover" means the transfer of funds from the  
6 Oklahoma College Savings Plan to any other plan  
7 under Section 529 of the Internal Revenue Code of  
8 1986, as amended.

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

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

1 1986, as amended, 26 U.S.C., Section 86, according to the following  
2 schedule:

3 a. in the taxable year beginning January 1, 2007, twenty  
4 percent (20%) of such benefits shall be exempt,

5 b. in the taxable year beginning January 1, 2008, forty  
6 percent (40%) of such benefits shall be exempt,

7 c. in the taxable year beginning January 1, 2009, sixty  
8 percent (60%) of such benefits shall be exempt,

9 d. in the taxable year beginning January 1, 2010, eighty  
10 percent (80%) of such benefits shall be exempt, and

11 e. in the taxable year beginning January 1, 2011, and  
12 subsequent taxable years, one hundred percent (100%)  
13 of such benefits shall be exempt.

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

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

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

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

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

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

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



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

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

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

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

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

10 2. As used in this subsection:

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

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

23 (2) the sale of stock or the sale of a direct or  
24 indirect ownership interest in an Oklahoma

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

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

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

1 included in the taxpayer's holding period for the  
2 asset pursuant to the Internal Revenue Code of 1986,  
3 as amended,

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

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

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

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

1           been a member, partner, or shareholder of the  
2           pass-through entity in the tier immediately below  
3           it for an uninterrupted period of not less than  
4           five (5) years.

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

8 SECTION 3. This act shall become effective November 1, 2025.

9  
10 60-1-1747 QD 2/21/2025 2:36:16 PM

11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24