

1 STATE OF OKLAHOMA

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

3 HOUSE BILL 1200

By: Maynard

6 AS INTRODUCED

7 An Act relating to revenue and taxation; amending 68
8 O.S. 2021, Section 2358, as last amended by Section
9 155, Chapter 452, O.S.L. 2024 (68 O.S. Supp. 2024,
10 Section 2358), which relates to Oklahoma taxable
11 income and adjusted gross income; modifying
provisions related to apportionment factors for
computation of taxable income of certain taxpayers;
modifying provisions related to inclusion of certain
transactions for purposes of sales apportionment
factor; and providing an effective date.

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

15 SECTION 1. AMENDATORY 68 O.S. 2021, Section 2358, as
16 last amended by Section 155, Chapter 452, O.S.L. 2024 (68 O.S. Supp.
17 2024, Section 2358), is amended to read as follows:

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

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

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

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

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

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

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

Oklahoma net operating loss carryovers and carrybacks to such year. Oklahoma net operating losses shall be separately determined by reference to Section 172 of the Internal Revenue Code, 26 U.S.C., Section 172, as modified by the Oklahoma Income Tax Act, Section 2351 et seq. of this title, and shall be allowed without regard to the existence of a federal net operating loss. For tax years beginning after December 31, 2000, and ending before January 1, 2008, the years to which such losses may be carried shall be determined solely by reference to Section 172 of the Internal Revenue Code, 26 U.S.C., Section 172, with the exception that the terms "net operating loss" and "taxable income" shall be replaced with "Oklahoma net operating loss" and "Oklahoma taxable income". For tax years beginning after December 31, 2007, and ending before January 1, 2009, years to which such losses may be carried back shall be limited to two (2) years. For tax years beginning after December 31, 2008, the years to which such losses may be carried back shall be determined solely by reference to Section 172 of the Internal Revenue Code, 26 U.S.C., Section 172, with the exception that the terms "net operating loss" and "taxable income" shall be replaced

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

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

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

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

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

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

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

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

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

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

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

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

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

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

the Oklahoma net income shall, at the option of the taxpayer, be that portion of the total net income of the taxpayer for federal income tax purposes derived from the manufacture and/or processing and sales everywhere as determined by the ratio of the sales defined in this section made to the purchaser within the state to the total sales everywhere. The term "public warehouse" as used in this subparagraph means a licensed public warehouse, the principal business of which is warehousing merchandise for the public; In the case of insurance companies, Oklahoma taxable income shall be taxable income of the taxpayer for federal tax purposes, as adjusted for the adjustments

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

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

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

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

5. The a. Except as otherwise provided by subparagraph b or c
of this paragraph, for taxable years beginning not
later than December 31, 2025, the net income or loss
remaining after the separate allocation in paragraph 4
of this subsection, being that which is derived from a
unitary business enterprise, shall be apportioned to
this state on the basis of the arithmetical average of
three factors consisting of property, payroll and
sales or gross revenue enumerated as subparagraphs a,
b and c of this paragraph divisions (1), (2), and (3)
of subparagraph d of this paragraph. Net income or
loss as used in this paragraph includes that derived
from patent or copyright royalties, purchase
discounts, and interest on accounts receivable
relating to or arising from a business activity, the
income from which is apportioned pursuant to this
subsection, including the sale or other disposition of
such property and any other property used in the
unitary enterprise. Deductions used in computing such
net income or loss shall not include taxes based on or
measured by income. Provided, for

b. For all taxable years beginning on or after January 1, 2026, qualifying corporations may elect to use a single sales factor apportionment comprising sales as one hundred percent (100%) of the apportionment or the corporation may elect to compute Oklahoma taxable income using the apportionment methodology in which each of the three factors in subparagraph d of this paragraph is equally weighted and an arithmetical average of the three factors is determined as otherwise provided by this paragraph. A qualifying corporation is one whose property for purposes of the tax imposed by Section 2355 of this title has an initial cumulative investment cost equaling or exceeding ~~Two Hundred Million Dollars~~
(\$200,000,000.00) One Hundred Million Dollars
(\$100,000,000.00) over three (3) years and such investment is made on or after July 1, 1997 January 1, 2018, or ~~for corporations~~ a corporation which expands their property or facilities ~~or~~ which makes improvements or upgrades or any combination of such expenditures which shall be valued at the original costs, prior to federal adjustments, at the time of acquisition by the corporation and adjusted by subsequent capital additions or improvements thereto

1 and partial disposition thereof, by reason of sale,
2 exchange, or abandonment, in this state and such
3 expansion has, improvements, upgrades, or expenditures
4 have an investment cost equaling or exceeding Two
5 Hundred Million Dollars (\$200,000,000.00) One Hundred
6 Million Dollars (\$100,000,000.00) over a period not to
7 exceed three (3) years, and such expansion,
8 improvements, upgrades, or any combination of such
9 expenditures is commenced on or after January 1, 2000,
10 the three factors shall be apportioned with property
11 and payroll, each comprising twenty-five percent (25%)
12 of the apportionment factor and sales comprising fifty
13 percent (50%) of the apportionment factor January 1,
14 2018. The As used in this subparagraph, investments,
15 improvements, or expenditures shall include but not be
16 limited to:

- 17 (1) expenditures for intangible drilling costs, as
18 defined in Internal Revenue Code Section 263(c),
19 without regard to whether such intangible
20 drilling costs are capitalized or expensed for
21 federal income tax purposes,
22 (2) track structure expenditures, as defined in
23 Internal Revenue Procedure 2001-46, without
24 regard to whether such track costs are

capitalized or expensed for federal income tax purposes, and

(3) property received in a transaction that qualifies as an Internal Revenue Code Section 332 liquidation; the investment period for such property shall be the original investment period of the liquidating corporation.

c. For any other corporation, for taxable years beginning on or after January 1, 2026, Oklahoma taxable income shall be computed using a single sales factor comprising one hundred percent (100%) of the apportionment and the corporation shall not use an arithmetic average of the three factors consisting of property, payroll, and sales. For the applicable tax years, the apportionment factors shall be computed as follows and for corporations required to use the single sales factor the provisions of subparagraph d of this paragraph shall be used to determine Oklahoma taxable income as provided therein.

d. For corporations required or electing to use a single sales factor apportionment, the provisions of division (3) of this subparagraph shall be used to determine Oklahoma taxable income as provided therein. For the applicable tax years, or for qualifying corporations

1 electing the three-factor apportionment, the
2 apportionment factors shall be computed as follows:

3 a.

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

12 (1)

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

Oklahoma by such equipment bears to total miles traveled,

(2)

(b) Property owned by the taxpayer is valued at its original cost. Property rented by the taxpayer is valued at eight times the net annual rental rate. Net annual rental rate is the annual rental rate paid by the taxpayer, less any annual rental rate received by the taxpayer from subrentals,

(3)

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

b.

(2) The payroll factor is a fraction, the numerator of which is the total compensation for services rendered in the state during the tax period, and the denominator of which is the total

1 compensation for services rendered everywhere
2 during the tax period. "Compensation", as used
3 in this ~~subsection~~ division means those paid-for
4 services to the extent related to the unitary
5 business but does not include officers' salaries,
6 wages and other compensation.

7 (1)

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

18 (2)

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

time spent in furtherance of the enterprise by such employees;

6

(3) The sales factor is a fraction, the numerator of which is the total sales or gross revenue of the taxpayer in this state during the tax period, and the denominator of which is the total sales or gross revenue of the taxpayer everywhere during the tax period. "Sales", as used in this ~~subsection~~ division does not include sales or gross revenue which are separately allocated in paragraph 4 of this subsection.

(1)

(a) Sales of tangible personal property have a situs in this state if the property is delivered or shipped to a purchaser other than the United States government, within this state regardless of the FOB point or other conditions of the sale; ~~or the property is shipped from an office, store, warehouse, factory or other place of storage in this state and (a) the purchaser is the United States government or (b) the taxpayer~~

1 ~~is not doing business in the state of the~~
2 ~~destination of the shipment.~~

3 (2)

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

10 (3)

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

19 (4)

20 (d) In the case of an oil, gasoline or gas
21 pipeline enterprise, the numerator of the
22 fraction shall be either the total of
23 traffic units of the enterprise within
24 Oklahoma or the revenue allocated to

Oklahoma based upon miles moved, at the option of the taxpayer, and the denominator of which shall be the total of traffic units of the enterprise or the revenue of the enterprise everywhere as appropriate to the numerator. A "traffic unit" is hereby defined as the transportation for a distance of one (1) mile of one (1) barrel of oil, one (1) gallon of gasoline or one thousand (1,000) cubic feet of natural or casinghead gas, as the case may be.

(5)

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

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

In any case where the apportionment of the three factors
prescribed in ~~this paragraph~~ division (1), (2), or (3) of this
subparagraph attributes to Oklahoma a portion of net income of the
enterprise out of all appropriate proportion to the property owned
and/or business transacted within this state, because of the fact
that one or more of the factors so prescribed are not employed to
any appreciable extent in furtherance of the enterprise; or because
one or more factors not so prescribed are employed to a considerable
extent in furtherance of the enterprise; or because of other
reasons, the Tax Commission is empowered to permit, after a showing
by taxpayer that an excessive portion of net income has been
attributed to Oklahoma, or require, when in its judgment an
insufficient portion of net income has been attributed to Oklahoma,

1 the elimination, substitution, or use of additional factors, or
2 reduction or increase in the weight of such prescribed factors.
3 Provided, however, that any such variance from such prescribed
4 factors which has the effect of increasing the portion of net income
5 attributable to Oklahoma must not be inherently arbitrary, and
6 application of the recomputed final apportionment to the net income
7 of the enterprise must attribute to Oklahoma only a reasonable
8 portion thereof.

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

1 paragraph exceeds One Million Dollars (\$1,000,000.00) in any
2 calendar year, the Tax Commission shall permit any excess over One
3 Million Dollars (\$1,000,000.00) and shall factor such excess into
4 the percentage for subsequent years. Any amount of the exemption
5 permitted to be excluded pursuant to the provisions of this
6 paragraph but not used in any year may be carried forward as an
7 exemption from income pursuant to the provisions of this paragraph
8 for a period not exceeding six (6) years following the year in which
9 the investment was originally made.

10 For purposes of this paragraph:

11 a. "Agricultural commodity processing facility" means
12 building, structures, fixtures and improvements used
13 or operated primarily for the processing or production
14 of marketable products from agricultural commodities.

15 The term shall also mean a dairy operation that
16 requires a depreciable investment of at least Two
17 Hundred Fifty Thousand Dollars (\$250,000.00) and which
18 produces milk from dairy cows. The term does not
19 include a facility that provides only, and nothing
20 more than, storage, cleaning, drying or transportation
21 of agricultural commodities, and

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

- (1) the processing of agricultural commodities, including receiving or storing agricultural commodities, or the production of milk at a dairy operation,
 - (2) transporting the agricultural commodities or product before, during or after the processing, or
 - (3) packaging or otherwise preparing the product for sale or shipment.

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

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

22 8. In taxable years beginning after December 31, 1995, all
23 qualified wages equal to the federal income tax credit set forth in
24 26 U.S.C.A., Section 45A, shall be deducted from taxable income.

1 The deduction allowed pursuant to this paragraph shall only be
2 permitted for the tax years in which the federal tax credit pursuant
3 to 26 U.S.C.A., Section 45A, is allowed. For purposes of this
4 paragraph, "qualified wages" means those wages used to calculate the
5 federal credit pursuant to 26 U.S.C.A., Section 45A.

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

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

22 11. For taxable years beginning on or after January 1, 2019,
23 there shall be subtracted from Oklahoma taxable income or adjusted
24 gross income any item of income or gain, and there shall be added to

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

20 B. 1. The taxable income of any corporation shall be further
21 adjusted to arrive at Oklahoma taxable income, except those
22 corporations electing treatment as provided in subchapter S of the
23 Internal Revenue Code, 26 U.S.C., Section 1361 et seq., and Section
24 2365 of this title, deductions pursuant to the provisions of the

1 Accelerated Cost Recovery System as defined and allowed in the
2 Economic Recovery Tax Act of 1981, Public Law 97-34, 26 U.S.C.,
3 Section 168, for depreciation of assets placed into service after
4 December 31, 1981, shall not be allowed in calculating Oklahoma
5 taxable income. Such corporations shall be allowed a deduction for
6 depreciation of assets placed into service after December 31, 1981,
7 in accordance with provisions of the Internal Revenue Code, 26
8 U.S.C., Section 1 et seq., in effect immediately prior to the
9 enactment of the Accelerated Cost Recovery System. The Oklahoma tax
10 basis for all such assets placed into service after December 31,
11 1981, calculated in this section shall be retained and utilized for
12 all Oklahoma income tax purposes through the final disposition of
13 such assets.

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

19 For assets placed in service and held by a corporation in which
20 accelerated cost recovery system was previously disallowed, an
21 adjustment to taxable income is required in the first taxable year
22 beginning after December 31, 1982, to reconcile the basis of such
23 assets to the basis allowed in the Internal Revenue Code. The
24 purpose of this adjustment is to equalize the basis and allowance

1 for depreciation accounts between that reported to the Internal
2 Revenue Service and that reported to Oklahoma.

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

9 C. 1. For taxable years beginning after December 31, 1987, the
10 taxable income of any corporation shall be further adjusted to
11 arrive at Oklahoma taxable income for transfers of technology to
12 qualified small businesses located in Oklahoma. Such transferor
13 corporation shall be allowed an exemption from taxable income of an
14 amount equal to the amount of royalty payment received as a result
15 of such transfer; provided, however, such amount shall not exceed
16 ten percent (10%) of the amount of gross proceeds received by such
17 transferor corporation as a result of the technology transfer. Such
18 exemption shall be allowed for a period not to exceed ten (10) years
19 from the date of receipt of the first royalty payment accruing from
20 such transfer. No exemption may be claimed for transfers of
21 technology to qualified small businesses made prior to January 1,
22 1988.

23 2. For purposes of this subsection:

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

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

(2) Having at least fifty percent (50%) of its employees and assets located in Oklahoma at the time of the transfer, and

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

b. "Technology" means a proprietary process, formula,

pattern, device or compilation of scientific or technical information which is not in the public domain;

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

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

D. 1. For taxable years beginning after December 31, 2005, the

24 taxable income of any corporation, estate or trust, shall be further

1 | adjusted for qualifying gains receiving capital treatment. Such
2 | corporations, estates or trusts shall be allowed a deduction from
3 | Oklahoma taxable income for the amount of qualifying gains receiving
4 | capital treatment earned by the corporation, estate or trust during
5 | the taxable year and included in the federal taxable income of such
6 | corporation, estate or trust.

7 | 2. As used in this subsection:

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

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

20 | (2) the sale of stock or on the sale of an ownership
21 | interest in an Oklahoma company, limited
22 | liability company, or partnership where such
23 | stock or ownership interest has been directly or
24 | indirectly owned by the corporation, estate or

trust for a holding period of at least three (3) years prior to the date of the transaction from which the net capital gains arise, or

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

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

c. "Oklahoma company", "limited liability company", or "partnership" means an entity whose primary headquarters have been located in Oklahoma for at least three (3) uninterrupted years prior to the date

of the transaction from which the net capital gains arise,

- d. "direct" means the taxpayer directly owns the asset, and
 - e. "indirect" means the taxpayer owns an interest in a pass-through entity (or chain of pass-through entities) that sells the asset that gives rise to the qualifying gains receiving capital treatment.

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

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

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

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

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

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

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

c. There shall be allowed an additional exemption of One
Thousand Dollars (\$1,000.00) for each taxpayer or
spouse who is sixty-five (65) years of age or older at
the close of the tax year based upon the filing status
and federal adjusted gross income of the taxpayer.

Taxpayers with the following filing status may claim
this exemption if the federal adjusted gross income
does not exceed:

- (1) Twenty-five Thousand Dollars (\$25,000.00) if
married and filing jointly,
- (2) Twelve Thousand Five Hundred Dollars (\$12,500.00)
if married and filing separately,
- (3) Fifteen Thousand Dollars (\$15,000.00) if single,
and
- (4) Nineteen Thousand Dollars (\$19,000.00) if a
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, in an amount equal to the larger of
16 fifteen percent (15%) of the Oklahoma adjusted gross
17 income or One Thousand Dollars (\$1,000.00), but not to
18 exceed Two Thousand Dollars (\$2,000.00), except that
19 in the case of a married individual filing a separate
20 return such deduction shall be the larger of fifteen
21 percent (15%) of such Oklahoma adjusted gross income
22 or Five Hundred Dollars (\$500.00), but not to exceed
23 the maximum amount of One Thousand Dollars
24 (\$1,000.00).

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

- (1) Three Thousand Dollars (\$3,000.00), if the filing status is married filing joint, head of household or qualifying widow, or
- (2) Two Thousand Dollars (\$2,000.00), if the filing status is single or married filing separate.

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

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

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

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

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

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

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

(3) Three Thousand Two Hundred Fifty Dollars

$(\$3,250.00)$, if the filing status is single or married filing separate.

e. For the taxable year beginning on January 1, 2009, and ending December 31, 2009, in the case of individuals who use the standard deduction in determining taxable income, there shall be added or deducted, as the case

1 may be, the difference necessary to allow a standard
2 deduction in lieu of the standard deduction allowed by
3 the Internal Revenue Code, in an amount equal to:

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

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

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

1 g. For taxable years beginning on or after January 1,
2 2017, in the case of individuals who use the standard
3 deduction in determining taxable income, there shall
4 be added or deducted, as the case may be, the
5 difference necessary to allow a standard deduction in
6 lieu of the standard deduction allowed by the Internal
7 Revenue Code, as follows:

- 8 (1) Six Thousand Three Hundred Fifty Dollars
9 (\$6,350.00) for single or married filing
10 separately,
- 11 (2) Twelve Thousand Seven Hundred Dollars
12 (\$12,700.00) for married filing jointly or
13 qualifying widower with dependent child, and
- 14 (3) Nine Thousand Three Hundred Fifty Dollars
15 (\$9,350.00) for head of household.

16 3. a. In the case of resident and part-year resident
17 individuals having adjusted gross income from sources
18 both within and without the state, the itemized or
19 standard deductions and personal exemptions shall be
20 reduced to an amount which is the same portion of the
21 total thereof as Oklahoma adjusted gross income is of
22 adjusted gross income. To the extent itemized
23 deductions include allowable moving expense, proration
24 of moving expense shall not be required or permitted

1 but allowable moving expense shall be fully deductible
2 for those taxpayers moving within or into Oklahoma and
3 no part of moving expense shall be deductible for
4 those taxpayers moving without or out of Oklahoma.

5 All other itemized or standard deductions and personal
6 exemptions shall be subject to proration as provided
7 by law.

8 b. For taxable years beginning on or after January 1,
9 2018, the net amount of itemized deductions allowable
10 on an Oklahoma income tax return, subject to the
11 provisions of paragraph 24 of this subsection, shall
12 not exceed Seventeen Thousand Dollars (\$17,000.00).

13 For purposes of this subparagraph, charitable
14 contributions and medical expenses deductible for
15 federal income tax purposes shall be excluded from the
16 amount of Seventeen Thousand Dollars (\$17,000.00) as
17 specified by this subparagraph.

18 4. A resident individual with a physical disability

19 constituting a substantial handicap to employment may deduct from
20 Oklahoma adjusted gross income such expenditures to modify a motor
21 vehicle, home or workplace as are necessary to compensate for his or
22 her handicap. A veteran certified by the Department of Veterans
23 Affairs of the federal government as having a service-connected
24 disability shall be conclusively presumed to be an individual with a

physical disability constituting a substantial handicap to employment. The Tax Commission shall promulgate rules containing a list of combinations of common disabilities and modifications which may be presumed to qualify for this deduction. The Tax Commission shall prescribe necessary requirements for verification.

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

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

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

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

- (2) absence from the State of Oklahoma while on active duty, or
 - (3) confinement in a hospital within the United States for treatment of wounds, injuries or disease,

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

- (a) Such individual shall return to the United States if the extension is granted pursuant to subparagraph a of this paragraph, return to the State of Oklahoma if the extension is granted pursuant to subparagraph b of this paragraph or be discharged from such hospital if the extension is granted pursuant to subparagraph c of this paragraph, or
 - (b) An executor, administrator, or conservator of the estate of the taxpayer is appointed, 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 shall be prorated on the ratio of the

Oklahoma adjusted gross income to federal adjusted gross income.

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

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

8. Retirement benefits not to exceed Five Thousand Five Hundred Dollars (\$5,500.00) for the 2004 tax year, Seven Thousand Five Hundred Dollars (\$7,500.00) for the 2005 tax year and Ten Thousand Dollars (\$10,000.00) for the 2006 tax year and all subsequent tax years, which are received by an individual from the civil service of 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
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, 26 U.S.C., Section 86.

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

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

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

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

1 specified in this paragraph, which are received by an
2 individual sixty-five (65) years of age or older and
3 whose Oklahoma adjusted gross income is Twenty-five
4 Thousand Dollars (\$25,000.00) or less if the filing
5 status is single, head of household, or married filing
6 separate, or Fifty Thousand Dollars (\$50,000.00) or
7 less if the filing status is married filing joint or
8 qualifying widow, shall be exempt from taxable income.

9 In taxable years beginning after December 31, 2004,
10 retirement benefits not to exceed the amounts
11 specified in this paragraph, which are received by an
12 individual whose Oklahoma adjusted gross income is
13 less than the qualifying amount specified in this
14 paragraph, shall be exempt from taxable income.

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

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

- (2) in the taxable year beginning January 1, 2007, the qualifying amount shall be Fifty Thousand Dollars (\$50,000.00) or less if the filing status is single, head of household, or married filing separate, or One Hundred Thousand Dollars (\$100,000.00) or less if the filing status is married filing jointly or qualifying widow,
 - (3) in the taxable year beginning January 1, 2008, the qualifying amount shall be Sixty-two Thousand Five Hundred Dollars (\$62,500.00) or less if the filing status is single, head of household, or married filing separate, or One Hundred Twenty-five Thousand Dollars (\$125,000.00) or less if the filing status is married filing jointly or qualifying widow,
 - (4) in the taxable year beginning January 1, 2009, the qualifying amount shall be One Hundred Thousand Dollars (\$100,000.00) or less if the filing status is single, head of household, or married filing separate, or Two Hundred Thousand Dollars (\$200,000.00) or less if the filing status is married filing jointly or qualifying widow, and

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

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

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

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

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

satisfies the requirements of Section 408 of the Internal Revenue Code, 26 U.S.C., Section 408,

(4) an employee annuity subject to the provisions of Section 403(a) or (b) of the Internal Revenue Code, 26 U.S.C., Section 403(a) or (b),

(5) United States Retirement Bonds which satisfy the requirements of Section 86 of the Internal

(6) lump-sum distributions from a retirement plan
which satisfies the requirements of Section

1 402(e) of the Internal Revenue Code, 26 U.S.C.,
2 Section 402(e).

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

18 14. In taxable years beginning after December 31, 1999, for an
19 individual engaged in production agriculture who has filed a
20 Schedule F form with the taxpayer's federal income tax return for
21 such taxable year, there shall be excluded from taxable income any
22 amount which was included as federal taxable income or federal
23 adjusted gross income and which consists of the discharge of an

1 obligation by a creditor of the taxpayer incurred to finance the
2 production of agricultural products.

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

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

17 b. In taxable years beginning after December 31, 2004,
18 each taxpayer shall be allowed a deduction for
19 contributions to accounts established pursuant to the
20 Oklahoma College Savings Plan Act. The maximum annual
21 deduction shall equal the amount of contributions to
22 all such accounts plus any contributions to such
23 accounts by the taxpayer for prior taxable years after
24 December 31, 2004, which were not deducted, but in no

1 event shall the deduction for each tax year exceed Ten
2 Thousand Dollars (\$10,000.00) for each individual
3 taxpayer or Twenty Thousand Dollars (\$20,000.00) for
4 taxpayers filing a joint return. Any amount of a
5 contribution that is not deducted by the taxpayer in
6 the year for which the contribution is made may be
7 carried forward as a deduction from income for the
8 succeeding five (5) years. For taxable years
9 beginning after December 31, 2005, deductions may be
10 taken for contributions and rollovers made during a
11 taxable year and up to April 15 of the succeeding
12 year, or the due date of a taxpayer's state income tax
13 return, excluding extensions, whichever is later.
14 Provided, a deduction for the same contribution may
15 not be taken for two (2) different taxable years.

16 c. In taxable years beginning after December 31, 2006,
17 deductions for contributions made pursuant to
18 subparagraph b of this paragraph shall be limited as
19 follows:

20 (1) for a taxpayer who qualified for the five-year
21 carryforward election and who takes a rollover or
22 nonqualified withdrawal during that period, the
23 tax deduction otherwise available pursuant to
24 subparagraph b of this paragraph shall be reduced

1 by the amount which is equal to the rollover or
2 nonqualified withdrawal, and

3 (2) for a taxpayer who elects to take a rollover or
4 nonqualified withdrawal within the same tax year
5 in which a contribution was made to the
6 taxpayer's account, the tax deduction otherwise
7 available pursuant to subparagraph b of this
8 paragraph shall be reduced by the amount of the
9 contribution which is equal to the rollover or
10 nonqualified withdrawal.

11 d. If a taxpayer elects to take a rollover on a
12 contribution for which a deduction has been taken
13 pursuant to subparagraph b of this paragraph within
14 one (1) year of the date of contribution, the amount
15 of such rollover shall be included in the adjusted
16 gross income of the taxpayer in the taxable year of
17 the rollover.

18 e. If a taxpayer makes a nonqualified withdrawal of
19 contributions for which a deduction was taken pursuant
20 to subparagraph b of this paragraph, such nonqualified
21 withdrawal and any earnings thereon shall be included
22 in the adjusted gross income of the taxpayer in the
23 taxable year of the nonqualified withdrawal.

24 f. As used in this paragraph:

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

- (a) a qualified withdrawal,
- (b) a withdrawal made as a result of the death or disability of the designated beneficiary of an account,
- (c) a withdrawal that is made on the account of a scholarship or the allowance or payment described in Section 135(d)(1)(B) or (C) or by the Internal Revenue Code, received by the designated beneficiary to the extent the amount of the refund does not exceed the amount of the scholarship, allowance, or payment, or
- (d) a rollover or change of designated beneficiary as permitted by subsection F of Section 3970.7 of Title 70 of Oklahoma Statutes, and

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

23 17. For tax years 2006 through 2021, retirement benefits
24 received by an individual from any component of the Armed Forces of

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

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

- a. in the taxable year beginning January 1, 2007, twenty percent (20%) of such benefits shall be exempt,
 - b. in the taxable year beginning January 1, 2008, forty percent (40%) of such benefits shall be exempt,
 - c. in the taxable year beginning January 1, 2009, sixty percent (60%) of such benefits shall be exempt,
 - d. in the taxable year beginning January 1, 2010, eighty percent (80%) of such benefits shall be exempt, and

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

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

16 b. An individual may claim this deduction only once, and
17 the deduction may be claimed only for unreimbursed
18 expenses that are incurred by the individual and
19 related to the organ donation of the individual.

20 c. The Oklahoma Tax Commission shall promulgate rules to
21 implement the provisions of this paragraph which shall
22 contain a specific list of expenses which may be
23 presumed to qualify for the deduction. The Tax

1 Commission shall prescribe necessary requirements for
2 verification.

3 20. For taxable years beginning after December 31, 2009, there
4 shall be exempt from taxable income any amount received by the
5 beneficiary of the death benefit for an emergency medical technician
6 or a registered emergency medical responder provided by Section 1-
7 2505.1 of Title 63 of the Oklahoma Statutes.

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

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

20 23. For taxable years beginning on or after January 1, 2016,
21 taxable income shall be increased by any amount of state and local
22 sales or income taxes deducted under 26 U.S.C., Section 164 of the
23 Internal Revenue Code. If the amount of state and local taxes
24 deducted on the federal return is limited, taxable income on the

1 state return shall be increased only by the amount actually deducted
2 after any such limitations are applied.

3 24. For taxable years beginning after December 31, 2020, each
4 taxpayer shall be allowed a deduction for contributions to accounts
5 established pursuant to the Achieving a Better Life Experience
6 (ABLE) Program as established in Section 4001.1 et seq. of Title 56
7 of the Oklahoma Statutes. For any tax year, the deduction provided
8 for in this paragraph shall not exceed Ten Thousand Dollars
9 (\$10,000.00) for an individual taxpayer or Twenty Thousand Dollars
10 (\$20,000.00) for taxpayers filing a joint return. Any amount of
11 contribution not deducted by the taxpayer in the tax year for which
12 the contribution is made may be carried forward as a deduction from
13 income for up to five (5) tax years. Deductions may be taken for
14 contributions made during the tax year and through April 15 of the
15 succeeding tax year, or through the due date of a taxpayer's state
16 income tax return excluding extensions, whichever is later.
17 Provided, a deduction for the same contribution may not be taken in
18 more than one (1) tax year.

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

24 2. As used in this subsection:

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

- (1) the sale of real property or tangible personal property located within Oklahoma that has been directly or indirectly owned by the individual taxpayer for a holding period of at least five (5) years prior to the date of the transaction from which such net capital gains arise,
- (2) the sale of stock or the sale of a direct or indirect ownership interest in an Oklahoma company, limited liability company, or partnership where such stock or ownership interest has been directly or indirectly owned by the individual taxpayer for a holding period of at least two (2) years prior to the date of the transaction from which the net capital gains arise, or

(3) the sale of real property, tangible personal property or intangible personal property located within Oklahoma as part of the sale of all or substantially all of the assets of an Oklahoma

company, limited liability company, or partnership or an Oklahoma proprietorship business enterprise where such property has been directly or indirectly owned by such entity or business enterprise or owned by the owners of such entity or business enterprise for a period of at least two (2) years prior to the date of the transaction from which the net capital gains arise,

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

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

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

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

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

18 (2) With respect to sales of stock or ownership
19 interest in or sales of all or substantially all
20 of the assets of an Oklahoma company, limited
21 liability company, partnership or Oklahoma
22 proprietorship business enterprise, the deduction
23 described in this subsection shall not apply
24 unless the pass-through entity that makes the

1 sale has held the stock or ownership interest for
2 not less than two (2) uninterrupted years prior
3 to the date of the transaction that created the
4 capital gain, and each pass-through entity
5 included in the chain of ownership has been a
6 member, partner or shareholder of the pass-
7 through entity in the tier immediately below it
8 for an uninterrupted period of not less than two
9 (2) years. For purposes of this division,
10 uninterrupted ownership prior to July 1, 2007,
11 shall be included in the determination of the
12 required holding period prescribed by this
13 division, and

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

23 G. 1. For purposes of computing its Oklahoma taxable income
24 under this section, the dividends-paid deduction otherwise allowed

1 by federal law in computing net income of a real estate investment
2 trust that is subject to federal income tax shall be added back in
3 computing the tax imposed by this state under this title if the real
4 estate investment trust is a captive real estate investment trust.

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

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

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

21 (1) treated as an association taxable as a
22 corporation under the Internal Revenue Code, and

(2) not exempt from federal income tax pursuant to the provisions of Section 501(a) of the Internal Revenue Code.

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

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

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

(2) any qualified real estate investment trust subsidiary under Section 856(i) of the Internal Revenue Code, other than a qualified REIT subsidiary of a "captive real estate investment trust".

(3) any Listed Australian Property Trust (meaning an Australian unit trust registered as a "Managed Investment Scheme" under the Australian Corporations Act in which the principal class of units is listed on a recognized stock exchange in

Australia and is regularly traded on an
established securities market), or an entity
organized as a trust, provided that a Listed
Australian Property Trust owns or controls,
directly or indirectly, seventy-five percent
(75%) or more of the voting power or value of the
beneficial interests or shares of such trust, or
(4) any Qualified Foreign Entity, meaning a
corporation, trust, association or partnership
organized outside the laws of the United States
and which satisfies the following criteria:
(a) at least seventy-five percent (75%) of the
entity's total asset value at the close of
its taxable year is represented by real
estate assets, as defined in Section
856(c)(5)(B) of the Internal Revenue Code,
thereby including shares or certificates of
beneficial interest in any real estate
investment trust, cash and cash equivalents,
and U.S. Government securities,
(b) the entity receives a dividend-paid
deduction comparable to Section 561 of the
Internal Revenue Code, or is exempt from
entity level tax,

- (c) the entity is required to distribute at least eighty-five percent (85%) of its taxable income, as computed in the jurisdiction in which it is organized, to the holders of its shares or certificates of beneficial interest on an annual basis,
 - (d) not more than ten percent (10%) of the voting power or value in such entity is held directly or indirectly or constructively by a single entity or individual, or the shares or beneficial interests of such entity are regularly traded on an established securities market, and
 - (e) the entity is organized in a country which has a tax treaty with the United States.

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

21 4. A real estate investment trust that does not become
22 regularly traded on an established securities market within one (1)
23 year of the date on which it first becomes a real estate investment
24 trust shall be deemed not to have been regularly traded on an

1 established securities market, retroactive to the date it first
2 became a real estate investment trust, and shall file an amended
3 return reflecting such retroactive designation for any tax year or
4 part year occurring during its initial year of status as a real
5 estate investment trust. For purposes of this subsection, a real
6 estate investment trust becomes a real estate investment trust on
7 the first day it has both met the requirements of Section 856 of the
8 Internal Revenue Code and has elected to be treated as a real estate
9 investment trust pursuant to Section 856(c)(1) of the Internal
10 Revenue Code.

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