

1 ENGROSSED HOUSE  
2 BILL NO. 1200

By: Maynard, Kendrix, Lepak,  
and Burns of the House

3 and

4 Rader of the Senate

5

6

7 [ revenue and taxation - Oklahoma taxable income -  
8       adjusted gross income - apportionment factors -  
9       effective date ]

10

11

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1                   separate commercial or business situs insofar as  
2                   undistributed income is concerned, but shall not  
3                   be treated as having a separate commercial or  
4                   business situs insofar as distributed income is  
5                   concerned,

- 6                   (2) for taxable years beginning after December 31,  
7                   2003, capital or ordinary gains or losses from  
8                   the sale of an ownership interest in a publicly  
9                   traded partnership, as defined by Section 7704(b)  
10                  of the Internal Revenue Code, shall be allocated  
11                  to this state in the ratio of the original cost  
12                  of such partnership's tangible property in this  
13                  state to the original cost of such partnership's  
14                  tangible property everywhere, as determined at  
15                  the time of the sale; if more than fifty percent  
16                  (50%) of the value of the partnership's assets  
17                  consists of intangible assets, capital or  
18                  ordinary gains or losses from the sale of an  
19                  ownership interest in the partnership shall be  
20                  allocated to this state in accordance with the  
21                  sales factor of the partnership for its first  
22                  full tax period immediately preceding its tax  
23                  period during which the ownership interest in the  
24                  partnership was sold; the provisions of this

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

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

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

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

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

23                   (2) sales of the product stored in public warehouses  
24                   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;

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

- (1) except as otherwise provided by division (2) of this subparagraph, taxable income of an insurance company for a taxable year shall be apportioned to this state by multiplying such income by a fraction, the numerator of which is the direct premiums written for insurance on property or risks in this state, and the denominator of which is the direct premiums written for insurance on property or risks everywhere. For purposes of this subsection, the term "direct premiums written" means the total amount of direct premiums written, assessments and annuity considerations as reported for the taxable year on the annual statement filed by the company with the Insurance Commissioner in the form approved by the National Association of Insurance Commissioners, or such other form as may be prescribed in lieu thereof,
  - (2) if the principal source of premiums written by an insurance company consists of premiums for reinsurance accepted by it, the taxable income of such company shall be apportioned to this state by multiplying such income by a fraction, the numerator of which is the sum of (a) direct

premiums written for insurance on property or risks in this state, plus (b) premiums written for reinsurance accepted in respect of property or risks in this state, and the denominator of which is the sum of (c) direct premiums written for insurance on property or risks everywhere, plus (d) premiums written for reinsurance accepted in respect of property or risks everywhere. For purposes of this paragraph, premiums written for reinsurance accepted in respect of property or risks in this state, whether or not otherwise determinable, may at the election of the company be determined on the basis of the proportion which premiums written for insurance accepted from companies commercially domiciled in Oklahoma bears to premiums written for reinsurance accepted from all sources, or alternatively in the proportion which the sum of the direct premiums written for insurance on property or risks in this state by each ceding company from which reinsurance is accepted bears to the sum of the total direct premiums written by each such ceding company for the taxable year.

5. 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

1           one hundred percent (100%) of the apportionment or the  
2           corporation may elect to compute Oklahoma taxable  
3           income using the apportionment methodology in which  
4           each of the three factors in subparagraph d of this  
5           paragraph is equally weighted and an arithmetical  
6           average of the three factors is determined as  
7           otherwise provided by this paragraph. A qualifying  
8           corporation is one whose property for purposes of the  
9           tax imposed by Section 2355 of this title has an  
10          initial cumulative investment cost equaling or  
11          exceeding Two Hundred Million Dollars  
12          (\$200,000,000.00) One Hundred Million Dollars  
13          (\$100,000,000.00) over three (3) years and such  
14          investment is made on or after July 1, 1997 January 1,  
15          2018, or for corporations a corporation which expand  
16          expands their property or facilities or which makes  
17          improvements or upgrades or any combination of such  
18          expenditures which shall be valued at the original  
19          costs, prior to federal adjustments, at the time of  
20          acquisition by the corporation and adjusted by  
21          subsequent capital additions or improvements thereto  
22          and partial disposition thereof, by reason of sale,  
23          exchange, or abandonment, in this state and such  
24          expansion has, improvements, upgrades, or expenditures

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

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

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

1           a.

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

10          (1)

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

1           in this subsection means those paid-for  
2           services to the extent related to the unitary  
3           business but does not include officers' salaries,  
4           wages and other compensation.

5           (1)

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

16           (2)

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

1 e.

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

11       (1)

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

24       (2)

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

7                   **(3)**

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

16                  **(4)**

17                  **(d)** In the case of an oil, gasoline or gas  
18                  pipeline enterprise, the numerator of the  
19                  fraction shall be either the total of  
20                  traffic units of the enterprise within  
21                  Oklahoma or the revenue allocated to  
22                  Oklahoma based upon miles moved, at the  
23                  option of the taxpayer, and the denominator  
24                  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, the elimination, substitution, or use of additional factors, or reduction or increase in the weight of such prescribed factors. Provided, however, that any such variance from such prescribed

1 factors which has the effect of increasing the portion of net income  
2 attributable to Oklahoma must not be inherently arbitrary, and  
3 application of the recomputed final apportionment to the net income  
4 of the enterprise must attribute to Oklahoma only a reasonable  
5 portion thereof.

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

1      the percentage for subsequent years. Any amount of the exemption  
2      permitted to be excluded pursuant to the provisions of this  
3      paragraph but not used in any year may be carried forward as an  
4      exemption from income pursuant to the provisions of this paragraph  
5      for a period not exceeding six (6) years following the year in which  
6      the investment was originally made.

7      For purposes of this paragraph:

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

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

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

21                (1) the processing of agricultural commodities,  
22                    including receiving or storing agricultural  
23                    commodities, or the production of milk at a dairy  
24                    operation,

(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.

7. Despite any provision to the contrary in paragraph 3 of this section, for taxable years beginning after December 31, 1999, in case of a taxpayer which has a farming loss, such farming loss shall be considered a net operating loss carryback in accordance and to the extent of the Internal Revenue Code, 26 U.S.C., section 172(b)(G). However, the amount of the net operating loss 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.

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

1 paragraph, "qualified wages" means those wages used to calculate the  
2 federal credit pursuant to 26 U.S.C.A., Section 45A.

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

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

19       11. For taxable years beginning on or after January 1, 2019,  
20 there shall be subtracted from Oklahoma taxable income or adjusted  
21 gross income any item of income or gain, and there shall be added to  
22 Oklahoma taxable income or adjusted gross income any item of loss or  
23 deduction that in the absence of an election pursuant to the  
24 provisions of the Pass-Through Entity Tax Equity Act of 2019 would

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

17 |       B. 1. The taxable income of any corporation shall be further  
18 | adjusted to arrive at Oklahoma taxable income, except those  
19 | corporations electing treatment as provided in subchapter S of the  
20 | Internal Revenue Code, 26 U.S.C., Section 1361 et seq., and Section  
21 | 2365 of this title, deductions pursuant to the provisions of the  
22 | Accelerated Cost Recovery System as defined and allowed in the  
23 | Economic Recovery Tax Act of 1981, Public Law 97-34, 26 U.S.C.,  
24 | Section 168, for depreciation of assets placed into service after

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

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

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

24

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

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

21           2. For purposes of this subsection:

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

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

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

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

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

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

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

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

4       2. As used in this subsection:

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

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

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

(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 liability company, or partnership, the deduction described in this subsection shall not apply

unless the pass-through entity that makes the  
sale has held the stock or ownership interest or  
the assets for not less than three (3)  
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 three (3) years.

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

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

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

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

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

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

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

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

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

- 6 2. a. For taxable years beginning on or before December 31,  
7 2005, in the case of individuals who use the standard  
8 deduction in determining taxable income, there shall  
9 be added or deducted, as the case may be, the  
10 difference necessary to allow a standard deduction in  
11 lieu of the standard deduction allowed by the Internal  
12 Revenue Code, in an amount equal to the larger of  
13 fifteen percent (15%) of the Oklahoma adjusted gross  
14 income or One Thousand Dollars (\$1,000.00), but not to  
15 exceed Two Thousand Dollars (\$2,000.00), except that  
16 in the case of a married individual filing a separate  
17 return such deduction shall be the larger of fifteen  
18 percent (15%) of such Oklahoma adjusted gross income  
19 or Five Hundred Dollars (\$500.00), but not to exceed  
20 the maximum amount of One Thousand Dollars  
21 (\$1,000.00).  
22 b. For taxable years beginning on or after January 1,  
23 2006, and before January 1, 2007, in the case of  
24 individuals who use the standard deduction in

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

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

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

- 18                  (1) Five Thousand Five Hundred Dollars (\$5,500.00),  
19                  if the filing status is married filing joint or  
20                  qualifying widow, or  
21                  (2) Four Thousand One Hundred Twenty-five Dollars  
22                  (\$4,125.00) for a head of household, or

(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

(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 may be, the difference necessary to allow a standard

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

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

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

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

1                   g. For taxable years beginning on or after January 1,  
2                   2017, 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

1 physical disability constituting a substantial handicap to  
2 employment. The Tax Commission shall promulgate rules containing a  
3 list of combinations of common disabilities and modifications which  
4 may be presumed to qualify for this deduction. The Tax Commission  
5 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

(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.

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.

12 Passed the House of Representatives the 3rd day of March, 2025.

13  
14 \_\_\_\_\_  
15 Presiding Officer of the House  
16 of Representatives  
17

18 Passed the Senate the \_\_\_\_ day of \_\_\_\_\_, 2025.

19 \_\_\_\_\_  
20 Presiding Officer of the Senate  
21  
22  
23  
24