

1 STATE OF OKLAHOMA

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

3 COMMITTEE SUBSTITUTE
FOR
4 SENATE BILL 304

By: Rader of the Senate

5 and

6 Kendrix of the House

7

8

9 COMMITTEE SUBSTITUTE

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

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

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

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

6 1. METHOD 1.

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

- 9 (1) 1/2% tax on first \$1,000.00 or part thereof,
- 10 (2) 1% tax on next \$1,500.00 or part thereof,
- 11 (3) 2% tax on next \$1,250.00 or part thereof,
- 12 (4) 3% tax on next \$1,150.00 or part thereof,
- 13 (5) 4% tax on next \$1,300.00 or part thereof,
- 14 (6) 5% tax on next \$1,500.00 or part thereof,
- 15 (7) 6% tax on next \$2,300.00 or part thereof, and
- 16 (8) (a) for taxable years beginning after December
17 31, 1998, and before January 1, 2002, 6.75%
18 tax on the remainder,
19 (b) for taxable years beginning on or after
20 January 1, 2002, and before January 1, 2004,
21 7% tax on the remainder, and
22 (c) for taxable years beginning on or after
23 January 1, 2004, 6.65% tax on the remainder.

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

- (1) 1/2% tax on first \$2,000.00 or part thereof,
- (2) 1% tax on next \$3,000.00 or part thereof,
- (3) 2% tax on next \$2,500.00 or part thereof,
- (4) 3% tax on next \$2,300.00 or part thereof,
- (5) 4% tax on next \$2,400.00 or part thereof,
- (6) 5% tax on next \$2,800.00 or part thereof,
- (7) 6% tax on next \$6,000.00 or part thereof, and
- (8) (a) for taxable years beginning after December 31, 1998, and before January 1, 2002, 6.75% tax on the remainder,
(b) for taxable years beginning on or after January 1, 2002, and before January 1, 2004, 7% tax on the remainder, and
(c) for taxable years beginning on or after January 1, 2004, 6.65% tax on the remainder.

23 2. METHOD 2.

- 1 a. Single individuals and married individuals filing
2 separately deducting federal income tax:
3 (1) 1/2% tax on first \$1,000.00 or part thereof,
4 (2) 1% tax on next \$1,500.00 or part thereof,
5 (3) 2% tax on next \$1,250.00 or part thereof,
6 (4) 3% tax on next \$1,150.00 or part thereof,
7 (5) 4% tax on next \$1,200.00 or part thereof,
8 (6) 5% tax on next \$1,400.00 or part thereof,
9 (7) 6% tax on next \$1,500.00 or part thereof,
10 (8) 7% tax on next \$1,500.00 or part thereof,
11 (9) 8% tax on next \$2,000.00 or part thereof,
12 (10) 9% tax on next \$3,500.00 or part thereof, and
13 (11) 10% tax on the remainder.
14 b. Married individuals filing jointly and surviving
15 spouse to the extent and in the manner that a
16 surviving spouse is permitted to file a joint return
17 under the provisions of the Internal Revenue Code of
18 1986, as amended, and heads of households as defined
19 in the Internal Revenue Code of 1986, as amended,
20 deducting federal income tax:
21 (1) 1/2% tax on the first \$2,000.00 or part thereof,
22 (2) 1% tax on the next \$3,000.00 or part thereof,
23 (3) 2% tax on the next \$2,500.00 or part thereof,
24 (4) 3% tax on the next \$1,400.00 or part thereof,

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

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

1. Single individuals and married individuals filing separately:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- a. For carryovers and carrybacks to taxable years beginning before January 1, 1981, the amount of any net operating loss deduction allowed to a taxpayer for federal income tax purposes shall be reduced to an amount which is the same portion thereof as the loss from sources within this state, as determined pursuant to this section and Section 2362 of this title, for the taxable year in which such loss is sustained is of the total loss for such year;
 - b. For carryovers and carrybacks to taxable years beginning after December 31, 1980, the amount of any net operating loss deduction allowed for the taxable 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 of 1986, as amended, 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

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

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

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

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

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

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

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

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

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

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

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

(1) sales having a situs without this state, shipped directly to a point from without the state to a purchaser within the state, commonly known as 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;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3 For purposes of this paragraph:

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

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

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

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

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

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

7. Despite any provision to the contrary in paragraph 3 of this subsection, for taxable years beginning after December 31, 1999, in the case of a taxpayer which has a farming loss, such farming loss shall be considered a net operating loss carryback in accordance with and to the extent of the Internal Revenue Code of 1986, as amended, 26 U.S.C., Section 172(b)(~~G~~) 172(b)(1)(B). 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 26 U.S.C.A., Section 45A, shall be deducted from taxable income. The deduction allowed pursuant to this paragraph shall only be permitted 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 paragraph, "qualified wages" means those wages used to calculate the federal credit pursuant to 26 U.S.C.A., Section 45A.

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

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

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

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

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

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

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

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

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

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

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

20 2. For purposes of this subsection:

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

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

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

- 10 b. "Technology" means a proprietary process, formula,
11 pattern, device or compilation of scientific or
12 technical information which is not in the public
13 domain;
14 c. "Transferor corporation" means a corporation which is
15 the exclusive and undisputed owner of the technology
16 at the time the transfer is made; and
17 d. "Gross proceeds" means the total amount of
18 consideration for the transfer of technology, whether
19 the consideration is in money or otherwise.

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

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

4 2. As used in this subsection:

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

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

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

(3) the sale of real property, tangible personal property or intangible personal property located within ~~Oklahoma~~ this state 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 of 1986, as amended,

c. "Oklahoma company", "limited liability company", or
"partnership" means an entity whose primary
headquarters have been located in Oklahoma this state
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~~ this state, 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 For tax year 2024 and preceding tax years, 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 of 1986, as amended.

20 b. There For tax year 2024 and preceding tax years, 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

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

- 8 c. There For tax year 2024 and preceding tax years, there
9 shall be allowed an additional exemption of One
10 Thousand Dollars (\$1,000.00) for each taxpayer or
11 spouse who is sixty-five (65) years of age or older at
12 the close of the tax year based upon the filing status
13 and federal adjusted gross income of the taxpayer.
14 Taxpayers with the following filing status may claim
15 this exemption if the federal adjusted gross income
16 does not exceed:
17 (1) Twenty-five Thousand Dollars (\$25,000.00) if
18 married and filing jointly,
19 (2) Twelve Thousand Five Hundred Dollars (\$12,500.00)
20 if married and filing separately,
21 (3) Fifteen Thousand Dollars (\$15,000.00) if single,
22 and
23 (4) Nineteen Thousand Dollars (\$19,000.00) if a
24 qualifying head of household.

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

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

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 of 1986, as amended, 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 of 1986, as amended, 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 of 1986, as amended, 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.

married filing separate.

the taxable year beginnin

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

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

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

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

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

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

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

- 12 (1) Six Thousand Three Hundred Fifty Dollars
13 (\$6,350.00) for single or married filing
14 separately,
15 (2) Twelve Thousand Seven Hundred Dollars
16 (\$12,700.00) for married filing jointly or
17 qualifying widower with dependent child, and
18 (3) Nine Thousand Three Hundred Fifty Dollars
19 (\$9,350.00) for head of household.

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

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

- 3 (1) Thirteen Thousand Five Hundred Fifty Dollars
4 (\$13,550.00) for single or married filing
5 separately,
- 6 (2) Twenty-seven Thousand One Hundred Dollars
7 (\$27,100.00) for married filing jointly or
8 qualifying widower with dependent child, and
- 9 (3) Nineteen Thousand Two Hundred Twenty-five Dollars
10 (\$19,225.00) for head of household.

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

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

3 b. For taxable years beginning on or after January 1,
4 2018, the net amount of itemized deductions allowable
5 on an Oklahoma income tax return, subject to the
6 provisions of paragraph 24 of this subsection, shall
7 not exceed Seventeen Thousand Dollars (\$17,000.00).

8 For purposes of this subparagraph, charitable
9 contributions and medical expenses deductible for
10 federal income tax purposes shall be excluded from the
11 amount of Seventeen Thousand Dollars (\$17,000.00) as
12 specified by this subparagraph.

13 4. A resident individual with a physical disability

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

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

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~~ this state
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 division 1 of this paragraph subparagraph, return to the State of Oklahoma this state if the extension is granted pursuant to subparagraph b division 2 of this paragraph subparagraph or be discharged from such hospital if the extension is granted pursuant to subparagraph c division 3 of this paragraph subparagraph, or

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

13. a. In taxable years beginning before January 1, 2005, retirement benefits not to exceed the amounts specified in this paragraph, which are received by an individual sixty-five (65) years of age or older and whose Oklahoma adjusted gross income is Twenty-five Thousand Dollars (\$25,000.00) or less if the filing status is single, head of household, or married filing separate, or Fifty Thousand Dollars (\$50,000.00) or less if the filing status is married filing joint or qualifying widow, shall be exempt from taxable income.

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

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

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

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

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 of 1986, as amended, 26 U.S.C., Section 401,

(2) an eligible deferred compensation plan that satisfies the requirements of Section 457 of the Internal Revenue Code of 1986, as amended, 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 of 1986, as amended, 26 U.S.C., Section 408,

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

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

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

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

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

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

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

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

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

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

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

- 5 (1) for a taxpayer who qualified for the five-year
6 carryforward election and who takes a rollover or
7 nonqualified withdrawal during that period, the
8 tax deduction otherwise available pursuant to
9 subparagraph b of this paragraph shall be reduced
10 by the amount which is equal to the rollover or
11 nonqualified withdrawal, and
- 12 (2) for a taxpayer who elects to take a rollover or
13 nonqualified withdrawal within the same tax year
14 in which a contribution was made to the
15 taxpayer's account, the tax deduction otherwise
16 available pursuant to subparagraph b of this
17 paragraph shall be reduced by the amount of the
18 contribution which is equal to the rollover or
19 nonqualified withdrawal.

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

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

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

9 f. As used in this paragraph:

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

13 (a) a qualified withdrawal,

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

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

21 amended, received by the designated

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

(d) a rollover or change of designated beneficiary as permitted by subsection F of Section 3970.7 of Title 70 of the 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 of 1986, as amended.

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

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

1 | 1986, as amended, 26 U.S.C., Section 86, according to the following
2 | 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
 - e. in the taxable year beginning January 1, 2011, and subsequent taxable years, one hundred percent (100%) of such benefits shall be exempt.

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

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

- 3 b. An individual may claim this deduction only once, and
4 the deduction may be claimed only for unreimbursed
5 expenses that are incurred by the individual and
6 related to the organ donation of the individual.
7 c. The Oklahoma Tax Commission shall promulgate rules to
8 implement the provisions of this paragraph which shall
9 contain a specific list of expenses which may be
10 presumed to qualify for the deduction. The Tax
11 Commission shall prescribe necessary requirements for
12 verification.

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

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

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

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

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

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

1 succeeding tax year, or through the due date of a taxpayer's state
2 income tax return excluding extensions, whichever is later.

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

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

10 2. As used in this subsection:

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

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

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

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 this state 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

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

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

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

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

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

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

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

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

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

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

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

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

- 9 (1) treated as an association taxable as a
10 corporation under the Internal Revenue Code of
11 1986, as amended, and
12 (2) not exempt from federal income tax pursuant to
13 the provisions of Section 501(a) of the Internal
14 Revenue Code of 1986, as amended.

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

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

- (1) any real estate investment trust as defined in paragraph a of this subsection other than a "~~captive real estate investment trust~~" captive real estate investment trust,
 - (2) any qualified real estate investment trust subsidiary under Section 856(i) of the Internal Revenue Code of 1986, as amended, other than a qualified REIT subsidiary of a "~~captive real estate investment trust~~" captive real estate investment trust,
 - (3) any ~~Listed Australian Property Trust~~ listed Australian property trust (meaning an Australian unit trust registered as a "~~Managed Investment Scheme~~" managed investment scheme" under the Australian Corporations Act 2001 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~~ listed Australian property trust owns or controls, directly or indirectly, seventy-five percent (75%) or more of the voting power or

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

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

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

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

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

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.

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

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

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

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

10 60-1-1747

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