

STATE OF OKLAHOMA

3rd Extraordinary Session of the 58th Legislature (2022)

HOUSE BILL 1021

By: Wallace

AS INTRODUCED

An Act relating to revenue and taxation; amending 68 O.S. 2021, Sections 2355, as last amended by Section 45 of Enrolled Senate Bill No. 1802 of the 2nd Session of the 58th Oklahoma Legislature, 2355.1P-4, 2370, and 2805, which relate to modification of the corporate income tax rate; modifying rate of corporate income tax; specifying tax rate by tax year; providing for imposition of income tax rate based upon certain corporate characteristics; prohibiting acquisition of tax credits on or after effective date; providing for inapplicability of certain provisions to public service corporations; providing for income tax rate after utilization of tax credits; modifying provisions related to tax levied upon certain pass-through entities; providing for termination of tax levied on certain pass-through entities; providing for filing of required returns by pass-through entities and other entities; modifying rate of tax imposed on certain financial institutions in lieu of income tax; specifying rate of tax by year; providing for payment of fee in lieu of personal property tax beginning on or after specified date; providing for apportionment of revenue to the State Public Common School Building Equalization Fund; and providing an effective date.

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

SECTION 1. AMENDATORY 68 O.S. 2021, Section 2355, as last amended by Section 45 of Enrolled Senate Bill No. 1802 of the

2nd Session of the 58th Oklahoma Legislature, is amended to read as follows:

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

1. METHOD 1.

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

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

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

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

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

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

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

(7) 6% tax on next \$2,300.00 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.
- b. 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 and heads of households as defined in the Internal Revenue Code not 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.

2. METHOD 2.

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

- (1) 1/2% tax on first \$1,000.00 or part thereof,
- (2) 1% tax on next \$1,500.00 or part thereof,
- (3) 2% tax on next \$1,250.00 or part thereof,
- (4) 3% tax on next \$1,150.00 or part thereof,
- (5) 4% tax on next \$1,200.00 or part thereof,
- (6) 5% tax on next \$1,400.00 or part thereof,
- (7) 6% tax on next \$1,500.00 or part thereof,
- (8) 7% tax on next \$1,500.00 or part thereof,
- (9) 8% tax on next \$2,000.00 or part thereof,
- (10) 9% tax on next \$3,500.00 or part thereof, and
- (11) 10% tax on the remainder.

b. 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 and heads of households as defined in the Internal Revenue Code deducting federal income tax:

- (1) 1/2% tax on the first \$2,000.00 or part thereof,
- (2) 1% tax on the next \$3,000.00 or part thereof,
- (3) 2% tax on the next \$2,500.00 or part thereof,
- (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 and 5 of this act 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 and heads of households as defined in the Internal Revenue Code:

- (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.

C. Individuals. For all taxable years beginning on or after January 1, 2022, 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) 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,
- (f) 4.75% tax on the remainder.

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 and heads of households as defined in the Internal Revenue Code:

- (a) 0.25% tax on first \$2,000.00 or part thereof,
- (b) 0.75% tax on next \$3,000.00 or part thereof,
- (c) 1.75% tax on next \$2,500.00 or part thereof,

- (d) 2.75% tax on next \$2,300.00 or part thereof,
- (e) 3.75% tax on next \$2,400.00 or part thereof,
- (f) 4.75% tax on the remainder.

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

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

Every payer of amounts covered by this subsection shall deduct and withhold from such amounts paid each payee an amount equal to eight percent (8%) thereof. Every payer required to deduct and withhold taxes under this subsection shall for each quarterly period on or before the last day of the month following the close of each such quarterly period, pay over the amount so withheld as taxes to the Tax Commission, and shall file a return with each such payment. Such return shall be in such form as the Tax Commission shall prescribe. Every payer required under this subsection to deduct and withhold a tax from a payee shall, as to the total amounts paid to each payee during the calendar year, furnish to such payee, on or before January 31, of the succeeding year, a written statement

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

E. Corporations. ~~For~~ 1. Except as otherwise provided by paragraph 2 of this subsection, for all taxable years beginning after December 31, 2021, a tax is hereby imposed upon the Oklahoma taxable income of every corporation doing business within this state or deriving income from sources within this state in an amount equal to four percent (4%) thereof.

2. Except as provided by paragraph 3 of this subsection, for all taxable years beginning after December 31, 2022, a tax is hereby imposed upon the Oklahoma taxable income of every corporation doing business within this state or deriving income from sources within this state in an amount as follows:

- a. three and five-tenths percent (3.5%) for tax years beginning not later than December 31, 2023,
- b. three percent (3.0%) for tax years beginning not later than December 31, 2024,
- c. two and five-tenths percent (2.5%) for tax years beginning not later than December 31, 2025,

- d. two percent (2.0%) for tax years beginning not later than December 31, 2026,
- e. one and five-tenths percent (1.5%) for tax years beginning not later than December 31, 2027,
- f. one percent (1.0%) for tax years beginning not later than December 31, 2028,
- g. five-tenths percent (0.5%) for tax years beginning not later than December 31, 2029, and
- h. zero percent (0%) for tax years beginning on or after January 1, 2030.

There shall be no additional Oklahoma income tax imposed on accumulated taxable income or on undistributed personal holding company income as those terms are defined in the Internal Revenue Code.

3. Notwithstanding subsection I of this section and except as provided by paragraph 5 or paragraph 6 of this subsection, unless state General Revenue Fund revenue collections for the fiscal year immediately preceding the current tax filing year exceed one hundred two percent (102%) of General Revenue Fund revenue collections for the second fiscal year preceding the current tax filing year, the tax rate set forth in paragraph 1 of this subsection shall apply for a corporation that:

a. participates in the filing of a publicly traded company's financial statements prepared in accordance with generally accepted accounting principles, and

b.

(1) the corporation has Oklahoma tax credit carryforwards in excess of Fifty Million Dollars (\$50,000,000.00) that have an indefinite carryforward period, as of the effective date of this act, or

(2) is a component member of an affiliated group filing a consolidated Oklahoma income tax return under the provisions of Section 2367 of this title, and the component members of such affiliated group have, in the aggregate, Oklahoma tax credit carryforwards in excess of Fifty Million Dollars (\$50,000,000.00) that have an indefinite carryforward period, as of the effective date of this act.

4. No corporation as described by paragraph 3 of this subsection shall acquire any tax credit authorized pursuant to the provisions of the Oklahoma Statutes on or after the effective date of this act.

5. The provisions of paragraph 3 of this subsection shall not be applicable to any public service corporation the rates of which

are subject to the regulatory jurisdiction of the Oklahoma Corporation Commission.

6. If a corporation which is subject to the provisions of paragraph 3 of this subsection or a corporation which makes an election to be subject to the income tax rate prescribed by paragraph 1 of this subsection has fully utilized all tax credits available to it pursuant to applicable provisions of law, the income tax rate for the corporation for the first tax year beginning after the end of the final tax year with respect to which any such credits have been claimed and used to reduce an income tax liability amount shall be zero percent (0%) and the rate shall be zero percent (0%) thereafter.

F. Certain foreign corporations. In lieu of the tax imposed in the first paragraph of subsection D of this section, for all taxable years beginning after December 31, 2021, there shall be imposed on foreign corporations, as defined in the Internal Revenue Code, a tax ~~of four percent (4%)~~ imposed at the same rate for the applicable income tax year as prescribed by subsection E of this section instead of thirty percent (30%) as used in the Internal Revenue Code, where such income is received from sources within Oklahoma, in accordance with the provisions of the Internal Revenue Code and the Oklahoma Income Tax Act.

Every payer of amounts covered by this subsection shall deduct and withhold from such amounts paid each payee an amount equal to

~~four percent (4%) thereof~~ a rate equal to the rate prescribed by subsection E of this section based on the applicable tax year.

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

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

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

I. Not later than June 30, 2023, for entities in existence as of the effective date of this act, and not later than sixty (60) days after the formation of an entity subject to taxation pursuant to subsection E of this section which occurs after the effective date of this act, a taxpayer shall make an election, which shall be irrevocable, on such form as may be prescribed for such purpose by the Oklahoma Tax Commission, and except as otherwise provided by this section, to be subject to the rate of tax at four percent (4%) imposed pursuant to paragraph 1 of subsection E of this section and to continue to be subject to such rate of income taxation for all subsequent taxable years or to be subject to the rate of tax imposed

pursuant to paragraph 2 of subsection E of this section based upon the applicable taxable year.

J. The irrevocable election required by subsection I of this section shall be binding upon any subsidiary entity of the taxpayer making such election unless otherwise provided by this section.

K. The irrevocable election otherwise prescribed by subsection I of this section shall not be binding with respect to an entity which was a subsidiary of an entity making such election during any period of time the former subsidiary was not acquired by any other entity.

L. If a former subsidiary of an entity making an election pursuant to subsection I of this section is acquired by another entity, the entity having acquired such former subsidiary shall be authorized to make an irrevocable election which is binding upon the former subsidiary of the previous entity.

SECTION 2. AMENDATORY 68 O.S. 2021, Section 2355.1P-4, is amended to read as follows:

Section 2355.1P-4 A. For tax years beginning on or after January 1, ~~2022~~ 2023, there is hereby levied on each electing pass-through entity the pass-through entity tax which shall be calculated as follows:

1. With regard to each member of an electing pass-through entity, the electing pass-through entity shall multiply such

member's Oklahoma distributive share of the electing pass-through entity's Oklahoma net entity income for the tax year by:

- a. the highest Oklahoma marginal income tax rate levied on the taxable income of natural persons pursuant to Section 2355 of this title if the member is an individual, trust, or estate,
- b. ~~four percent (4%)~~ if the member is classified as a corporation pursuant to the Internal Revenue Code, and is not classified as an S corporation, a rate as follows:

- (1) three and five-tenths percent (3.5%) for tax years beginning not later than December 31, 2023,
- (2) three percent (3.0%) for tax years beginning not later than December 31, 2024,
- (3) two and five-tenths percent (2.5%) for tax years beginning not later than December 31, 2025,
- (4) two percent (2.0%) for tax years beginning not later than December 31, 2026,
- (5) one and five-tenths percent (1.5%) for tax years beginning not later than December 31, 2027,
- (6) one percent (1.0%) for tax years beginning not later than December 31, 2028,
- (7) five-tenths percent (0.5%) for tax years beginning not later than December 31, 2029, and

(8) zero percent (0%) for tax years beginning on or after January 1, 2030,

c. ~~four percent (4%)~~ if the member is a pass-through entity, a rate as follows:

(1) three and five-tenths percent (3.5%) for tax years beginning not later than December 31, 2023,

(2) three percent (3.0%) for tax years beginning not later than December 31, 2024,

(3) two and five-tenths percent (2.5%) for tax years beginning not later than December 31, 2025,

(4) two percent (2.0%) for tax years beginning not later than December 31, 2026,

(5) one and five-tenths percent (1.5%) for tax years beginning not later than December 31, 2027,

(6) one percent (1.0%) for tax years beginning not later than December 31, 2028,

(7) five-tenths percent (0.5%) for tax years beginning not later than December 31, 2029, and

(8) zero percent (0%) for tax years beginning on or after January 1, 2030,

d. ~~four percent (4%)~~ if the member is a financial institution subject to tax imposed pursuant to the provisions of Section 2370 of this title, the rate prescribed by Section 2370 of this title, and

e. the highest Oklahoma marginal income tax rate that would be applicable to any item of the electing pass-through entity's income or gain without the election made pursuant to subsection F of this section, if the member is an organization described in Section 2359 of this title; and

2. The electing pass-through entity shall aggregate the amounts determined with respect to all members pursuant to paragraph 1 of this subsection and the pass-through entity tax for the applicable tax year shall be equal to such aggregated tax amount for the tax year with respect to which the election has been made.

B. Sections 2385.29, 2385.30 and 2385.31 of this title shall not be applicable to an electing pass-through entity.

C. The pass-through entity tax shall be due and payable on the same date as provided for the filing of the electing pass-through entity's Oklahoma income tax return, and for tax years beginning on or after January 1, 2020, estimated tax payments shall be required as provided in Section 2385.9 of this title.

D. If the pass-through entity election results in a net entity loss for Oklahoma income tax purposes in any tax year, the net entity loss may be carried back and carried forward by the electing pass-through entity for Oklahoma income tax purposes as set forth in subparagraph b of paragraph 3 of subsection A of Section 2358 of this title.

E. Notwithstanding paragraph 2 of subsection C of Section 2368 of this title, a nonresident individual who is a member of an electing pass-through entity is not required to file an Oklahoma income tax return, if, for the taxable year, the only source of income allocable or apportionable to this state for the member, or, if a joint income tax return is filed, the member and his or her spouse, is from one or more electing pass-through entities, and each electing pass-through entity files and pays the taxes due under this section.

F. Any entity required to file an Oklahoma partnership income tax return or an Oklahoma S corporation income tax return may elect to become an electing pass-through entity. The election shall be made on such form and in such manner as the Oklahoma Tax Commission may prescribe, and any election under this subsection shall have priority over and revoke any election to file a composite Oklahoma partnership return or requirement of a Subchapter S corporation to report and pay tax on behalf of a nonresident shareholder for the same tax year.

G. Pursuant to procedures prescribed by the Tax Commission, if the amount of tax required to be paid by a pass-through entity pursuant to the provisions of this section is not paid when due, the Oklahoma Tax Commission may revoke the pass-through entity's election under subsection F of this section effective for the first year for which the tax is not paid.

H. The election authorized by the provisions of this section shall be made pursuant to procedures prescribed by the Tax Commission and shall be filed (i) within sixty (60) days of enactment and pursuant to procedures prescribed by the Oklahoma Tax Commission for any income tax year beginning on or after January 1, 2019, and prior to January 1, 2020, or (ii) for any income tax year beginning on or after January 1, 2020, at any time during the preceding tax year or two (2) months and fifteen (15) days after the beginning of the tax year. Any such election shall be binding until revoked pursuant to procedures prescribed by the Tax Commission. The effective date of a revocation (i) made within two (2) months and fifteen (15) days of the electing pass-through entity's taxable year shall be the first day of such taxable year and (ii) made during the electing pass-through entity's taxable year but after such fifteenth day shall be effective on the first day of the following taxable year. No election made by a pass-through entity with respect to income tax to be paid by such entity using the calculations prescribed by this section shall be binding on any other pass-through entity, and each pass-through entity shall be able to make an election under the provisions of this act independently.

I. The provisions of this section shall cease to have the force and effect of law after the expiration of the last date the applicable tax return is filed, including any extensions, with

respect to the final taxable year for which any entity having made an election to be subject to the provisions of this section is required to file a return with the Oklahoma Tax Commission, including the period of time required for any person or entity receiving a distribution of income or an allocation of loss from a pass-through entity is required to file a return with the Oklahoma Tax Commission, including any extensions.

SECTION 3. AMENDATORY 68 O.S. 2021, Section 2370, is amended to read as follows:

Section 2370. A. ~~For taxable years beginning after December 31, 2021, for~~ For the privilege of doing business within this state, every state banking association, national banking association and credit union organized under the laws of this state, located or doing business within the limits of the State of Oklahoma shall annually pay to this state a privilege tax at the rate ~~of four percent (4%) of the amount of the~~ upon taxable income as provided in this ~~section~~ subsection as follows:

1. Three and five-tenths percent (3.5%) for tax years beginning not later than December 31, 2023;

2. Three percent (3.0%) for tax years beginning not later than December 31, 2024;

3. Two and five-tenths percent (2.5%) for tax years beginning not later than December 31, 2025;

4. Two percent (2.0%) for tax years beginning not later than December 31, 2026;

5. One and five-tenths percent (1.5%) for tax years beginning not later than December 31, 2027;

6. One percent (1.0%) for tax years beginning not later than December 31, 2028;

7. Five-tenths percent (0.5%) for tax years beginning not later than December 31, 2029; and

8. Zero percent (0%) for tax years beginning on or after January 1, 2030.

B. 1. The privilege tax levied by this section shall be in addition to the Business Activity Tax levied in Section 1218 of this title and the franchise tax levied in Article 12 of this title and in lieu of the tax levied by Section 2355 of this title and in lieu of all taxes levied by the State of Oklahoma, or any subdivision thereof, upon the shares of stock or personal property of any banking association or credit union subject to taxation under this section.

2. Nothing in this section shall be construed to exempt the real property of any banking associations or credit unions from taxation to the same extent, according to its value, as other real property is taxed. Nothing herein shall be construed to exempt an association from payment of any fee or tax authorized or levied pursuant to the banking laws.

3. Personal property which is subject to a lease agreement between a bank or credit union, as lessor, and a nonbanking business entity or individual, as lessee, is not exempt from personal property ad valorem taxation. Provided further, that it shall be the duty of the lessee of such personal property to return sworn lists or schedules of their taxable property within each county to the county assessor of such county as provided in Sections 2433 and 2434 of this title.

4. For all tax years beginning on or after January 1, 2030, an entity subject to the tax otherwise levied by the provisions of this section shall pay an annual fee, in lieu of any other tax on the personal property of the financial institution, in the amount of One Hundred Dollars (\$100.00). Such fee shall be apportioned to the State Public Common School Building Equalization Fund to be distributed in the manner prescribed by Section 3-104 of Title 70 of the Oklahoma Statutes.

C. Any tax levied under this section shall accrue on the last day of the taxable year and be payable as provided in Section 2375 of this title. The accrual of such tax for the first taxable year to which this act applies, shall apply notwithstanding the prior accrual of a tax in the same taxable year based upon the net income of the next preceding taxable year; provided, however, any additional deduction enuring to the benefit of the taxpayer shall be

deducted in accordance with the optional transitional deduction procedures in Section 2354 of this title.

D. The basis of the tax shall be United States taxable income as defined in paragraph 10 of Section 2353 of this title and any adjustments thereto under the provisions of Section 2358 of this title with the following adjustments:

1. There shall be deducted all interest income on obligations of the United States government and agencies thereof not otherwise exempted and all interest income on obligations of the State of Oklahoma or political subdivisions thereof, including public trust authorities, not otherwise exempted under the laws of this state; and

2. Expense deductions claimed in arriving at taxable income under paragraph 10 of Section 2353 of this title shall be reduced by an amount equal to fifty percent (50%) of excluded interest income on obligations of the United States government or agencies thereof and obligations of the State of Oklahoma or political subdivisions thereof.

E. 1. Except as otherwise provided in paragraph 2 of this subsection, before January 1, 2017, there shall be allowed a credit against the tax levied in subsection A of this section in an amount equal to the amount of taxable income received by a participating financial institution as defined in Section 90.2 of Title 62 of the Oklahoma Statutes pursuant to a loan made under the Rural Economic

Development Loan Act. Such credit shall be limited each year to five percent (5%) of the amount of annual payroll certified by the Oklahoma Rural Economic Development Loan Program Review Board pursuant to the provisions of paragraph 3 of subsection B of Section 90.4 of Title 62 of the Oklahoma Statutes with respect to the loan made by the participating financial institution and may be claimed for any number of years necessary until the amount of total credits claimed is equal to the total amount of taxable income received by the participating financial institution pursuant to the loan. Any credit allowed but not used in a taxable year may be carried forward for a period not to exceed five (5) taxable years. In no event shall a credit allowed pursuant to the provisions of this subsection be transferable or refundable.

2. No credit otherwise authorized by the provisions of this subsection may be claimed for any event, transaction, investment, expenditure or other act occurring on or after July 1, 2010, for which the credit would otherwise be allowable. The provisions of this paragraph shall cease to be operative on July 1, 2012. Beginning July 1, 2012, the credit authorized by this subsection may be claimed for any event, transaction, investment, expenditure or other act occurring on or after July 1, 2012, according to the provisions of this subsection.

SECTION 4. AMENDATORY 68 O.S. 2021, Section 2805, is amended to read as follows:

Section 2805. The following fees or taxes levied by the provisions of the Oklahoma Statutes shall be in lieu of ad valorem tax, whether in lieu of real property tax, personal property tax, or both as provided by law:

1. The registration fees and taxes imposed upon aircraft by Section 251 et seq. of Title 3 of the Oklahoma Statutes;

2. Registration fees for motor vehicles as provided in Section 1103 of Title 47 of the Oklahoma Statutes, except as otherwise specifically provided;

3. The fee imposed upon transfers of used vehicles in lieu of the ad valorem tax upon inventories of used motor vehicles by Section 1137.1 of Title 47 of the Oklahoma Statutes;

4. The registration and license fees imposed upon vessels and motors pursuant to the Oklahoma Vessel and Motor Registration Act, Section 4001 et seq. of Title 63 of the Oklahoma Statutes;

5. The taxes levied upon the gross production of substances pursuant to Section 1001 of this title;

6. The taxes levied upon the gross production of substances pursuant to Section 1020 of this title;

7. The tax imposed upon gross receipts pursuant to Section 1803 of this title;

8. The tax imposed upon certain textile products pursuant to Section 2001 of this title;

9. The tax imposed upon certain freight cars pursuant to Section 2202 of this title;

10. The tax imposed on certain parts of the inventories, both new and used items, owned and/or possessed for sale by retailers of farm tractors and other equipment pursuant to Sections ~~±~~ 5401 through ~~4~~ 5404 of this ~~act~~ title;

11. The tax imposed upon inventories of new vehicles and certain vessels pursuant to Section 5301 of this title; ~~and~~

12. The fee imposed pursuant to Section 2370 of this title for applicable periods beginning on or after January 1, 2030; and

13. Such other fees or taxes as may be expressly provided by law to be in lieu of ad valorem taxation.

SECTION 5. This act shall become effective January 1, 2023.

58-3EX-70011 MAH 06/10/22