

1 STATE OF OKLAHOMA

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

3 HOUSE BILL 2745

By: Caldwell (Trey)

4  
5  
6 AS INTRODUCED

7 An Act relating to revenue and taxation; amending 68  
8 O.S. 2021, Section 2370, which relates to banking  
9 privilege taxation, clarifying references;  
10 eliminating certain additional treatment of tax;  
11 providing certain deduction against tax; establishing  
12 eligibility criteria, limitations, and calculation of  
13 deduction; disallowing deduction above annual cap;  
14 providing for the treatment of disallowed deductions;  
15 defining terms, phrases, and ratios; and providing an  
16 effective date.

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

18 SECTION 1. AMENDATORY 68 O.S. 2021, Section 2370, is  
19 amended to read as follows:

20 Section 2370. A. For taxable years beginning after December  
21 31, 2021, for the privilege of doing business within this state,  
22 every state banking association, national banking association and  
23 credit union organized under the laws of this state, located or  
24 doing business within the limits of ~~the State of Oklahoma~~ this state  
shall annually pay to this state a privilege tax at the rate of four

1 percent (4%) of the amount of the taxable income as provided in this  
2 section.

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

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

17 3. Personal property which is subject to a lease agreement  
18 between a bank or credit union, as lessor, and a nonbanking business  
19 entity or individual, as lessee, is not exempt from personal  
20 property ad valorem taxation. Provided further, that it shall be  
21 the duty of the lessee of such personal property to return sworn  
22 lists or schedules of ~~their~~ the lessees taxable property within each  
23 county to the county assessor of such county as provided in ~~Sections~~  
24 ~~2433 and 2434 of this title~~ the Ad Valorem Tax Code.

1 C. Any tax levied under this section shall accrue on the last  
2 day of the taxable year and be payable as provided in Section 2375  
3 of this title. The accrual of such tax for ~~the first taxable year~~  
4 ~~to which this act applies,~~ 1971 shall apply notwithstanding the  
5 prior accrual of a tax in the same taxable year based upon the net  
6 income of the next preceding taxable year; provided, however, any  
7 additional deduction ~~ensuring~~ inuring to the benefit of the taxpayer  
8 shall be deducted in accordance with the optional transitional  
9 deduction procedures in Section 2354 of this title.

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

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

20 2. Expense deductions claimed in arriving at taxable income  
21 under paragraph 10 of Section 2353 of this title shall be reduced by  
22 an amount equal to fifty percent (50%) of excluded interest income  
23 on obligations of the United States government or agencies thereof  
24

1 and obligations of ~~the State of Oklahoma~~ this state or political  
2 subdivisions thereof.

3 E. 1. Except as otherwise provided in paragraph 2 of this  
4 subsection, before January 1, 2017, there shall be allowed a credit  
5 against the tax levied in subsection A of this section in an amount  
6 equal to the amount of taxable income received by a participating  
7 financial institution as defined in Section 90.2 of Title 62 of the  
8 Oklahoma Statutes pursuant to a loan made under the Rural Economic  
9 Development Loan Act. Such credit shall be limited each year to  
10 five percent (5%) of the amount of annual payroll certified by the  
11 Oklahoma Rural Economic Development Loan Program Review Board  
12 pursuant to the provisions of paragraph 3 of subsection B of Section  
13 90.4 of Title 62 of the Oklahoma Statutes with respect to the loan  
14 made by the participating financial institution and may be claimed  
15 for any number of years necessary until the amount of total credits  
16 claimed is equal to the total amount of taxable income received by  
17 the participating financial institution pursuant to the loan. Any  
18 credit allowed but not used in a taxable year may be carried forward  
19 for a period not to exceed five (5) taxable years. In no event  
20 shall a credit allowed pursuant to the provisions of this subsection  
21 be transferable or refundable.

22 2. No credit otherwise authorized by the provisions of this  
23 subsection may be claimed for any event, transaction, investment,  
24 expenditure or other act occurring on or after July 1, 2010, for

1 which the credit would otherwise be allowable. The provisions of  
2 this paragraph shall cease to be operative on July 1, 2012.  
3 Beginning July 1, 2012, the credit authorized by this subsection may  
4 be claimed for any event, transaction, investment, expenditure or  
5 other act occurring on or after July 1, 2012, according to the  
6 provisions of this subsection.

7 F. 1. For tax year 2025 and subsequent tax years, national  
8 banking associations, state banks, trust companies, savings and loan  
9 associations, and other lending institutions organized under the  
10 laws of this state and whose main office is located in this state  
11 shall be allowed as a deduction from net income, the net interest  
12 income received from qualified agricultural real estate loans  
13 attributed to this state, net interest income received from  
14 agricultural operating loans attributed to this state, and net  
15 interest income received from single-family residence loans  
16 attributed to this state, as defined in this subsection, to the  
17 extent such interest is included in the Oklahoma taxable income of a  
18 corporation.

19 2. The deduction authorized by this subsection may be claimed  
20 for interest earned on eligible loans made after December 31, 2024  
21 and before January 1, 2028.

22 3. Financial institutions with Oklahoma-based deposits of more  
23 than Seven Hundred Fifty Million Dollars (\$750,000,000.00) shall be  
24 entitled to no more than Five Hundred Thousand Dollars (\$500,000.00)

1 per institution in deductible interest earned over a three-year  
2 period under the provisions of this section. Financial institutions  
3 with Oklahoma-based deposits of Seven Hundred Fifty Million Dollars  
4 (\$750,000,000.00) or less shall be entitled to no more than Two  
5 Hundred Fifty Thousand Dollars (\$250,000.00) per institution in  
6 deductible interest earned over a three-year period under the  
7 provisions of this section.

8 4. For tax year 2027 and subsequent tax years, the total amount  
9 of deductions authorized by this subsection shall be adjusted  
10 annually to limit the annual amount of deductions to Five Million  
11 Dollars (\$5,000,000.00). The Oklahoma Tax Commission shall annually  
12 calculated and publish a percentage by which the deductions  
13 authorized by this subsection shall be reduced so the total amount  
14 of deductions does not exceed Five Million Dollars (\$5,000,000.00)  
15 per tax year. The formula to be used for the percentage adjustment  
16 shall be Five Million Dollars (\$5,000,000.00) divided by the amount  
17 of deductions claimed in the second preceding tax year. In the  
18 event the total deductions authorized by this subsection exceed Five  
19 Million Dollars (\$5,000,000.00) in any tax year, the Commission  
20 shall permit any excess, but shall factor such excess into the  
21 percentage adjustment formula for subsequent tax years.

22 5. As used in this subsection:

23 a. "interest" means interest on an indebtedness  
24 attributed to this state and incurred in the ordinary

1 course of the active conduct of any business and  
2 interest on indebtedness incurred that is secured by a  
3 single family residence,

4 b. "qualified agricultural real estate loans" means loans  
5 made on real property that are substantially used for  
6 the production of one or more agricultural products,  
7 and:

8 (1) have maturities of not less than five (5) years  
9 and not more than forty (40) years,

10 (2) are secured by a first lien interest in real  
11 estate, except that the loans may be secured by a  
12 second lien interest if the institution also  
13 holds the first lien on the real property, and

14 (3) have an outstanding loan balance, which when  
15 made, is less than eighty-five percent (85%) of  
16 the appraised value of the real estate, except  
17 loans for which private mortgage insurance is  
18 obtained may exceed eighty-five percent (85%) of  
19 the appraised value of the real estate to the  
20 extent a loan amount in excess of eighty-five  
21 percent (85%) is covered by such insurance,

22 c. "agriculture operating loans" means loans made for the  
23 purpose of:

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- 1           (1) the purchase, care, feeding, or refinancing of
- 2                   livestock or poultry,
- 3           (2) purchasing seed, and
- 4           (3) the purchase and maintenance of equipment, which
- 5                   shall include, but is not limited to, fences,
- 6                   barns, sheds, tractors, combines, and vehicles,

7   d. "single-family residence" means a residence that:

- 8           (1) is the principle residence of its occupant,
- 9           (2) is located in this state, in a rural area that is
- 10                   not within the city limits of a town with a
- 11                   population of five thousand (5,000) or more as
- 12                   determined according to the most recent Federal
- 13                   Decennial Census for which data is available, and
- 14           (3) is purchased or improved with the proceeds of the
- 15                   loan,

16   e. "net interest income received from qualified

17           agricultural real estate loans attributed to the

18           state" means the product of the ratio of the interest

19           income earned on qualified agricultural real estate

20           loans over total interest income earned, in relation

21           to the net income of the national banking association,

22           state bank, trust company, savings and loan

23           association, or other lending institution without

24           regard to this deduction,



1        f. "net interest income received from agricultural  
2        operating loans attributed to this state" means the  
3        product of the ratio of the interest income earned on  
4        agricultural operating loans over total interest  
5        income earned, in relation to the net income of the  
6        national banking association, state bank, trust  
7        company, savings and loan association, or other  
8        lending institution without regard to this deduction,  
9        and

10       g. "net interest income received from single-family  
11       residence loans attributed to this state means the  
12       product of the ratio of the interest income earned on  
13       single-family residence loans over total interest  
14       income earned, in relation to the net income of the  
15       national banking association, state bank, trust  
16       company, saving s and loan association, or other  
17       lending institution without regard to this deduction.

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

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