

STATE OF OKLAHOMA

1st Session of the 60th Legislature (2025)

SENATE BILL 43

By: Daniels

AS INTRODUCED

An Act relating to income tax; amending 68 O.S. 2021, 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; eliminating limitation on itemization of wagering losses for certain tax years; updating statutory language; updating statutory references; and providing an effective date.

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

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

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

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

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

9 2. There shall be deducted amounts included in such income that
10 the state is prohibited from taxing because of the provisions of the
11 ~~Federal~~ United States Constitution, the ~~State~~ Oklahoma Constitution,
12 federal laws or laws of Oklahoma.

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

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

1 b. For carryovers and carrybacks to taxable years
2 beginning after December 31, 1980, the amount of any
3 net operating loss deduction allowed for the taxable
4 year shall be an amount equal to the aggregate of the
5 Oklahoma net operating loss carryovers and carrybacks
6 to such year. Oklahoma net operating losses shall be
7 separately determined by reference to Section 172 of
8 the Internal Revenue Code of 1986, as amended, 26
9 U.S.C., Section 172, as modified by the Oklahoma
10 Income Tax Act, Section 2351 et seq. of this title,
11 and shall be allowed without regard to the existence
12 of a federal net operating loss. For tax years
13 beginning after December 31, 2000, and ending before
14 January 1, 2008, the years to which such losses may be
15 carried shall be determined solely by reference to
16 Section 172 of the Internal Revenue Code of 1986, as
17 amended, 26 U.S.C., Section 172, with the exception
18 that the terms "net operating loss" and "taxable
19 income" shall be replaced with "Oklahoma net operating
20 loss" and "Oklahoma taxable income". For tax years
21 beginning after December 31, 2007, and ending before
22 January 1, 2009, years to which such losses may be
23 carried back shall be limited to two (2) years. For
24 tax years beginning after December 31, 2008, the years

1 to which such losses may be carried back shall be
2 determined solely by reference to Section 172 of the
3 Internal Revenue Code of 1986, as amended, 26 U.S.C.,
4 Section 172, with the exception that the terms "net
5 operating loss" and "taxable income" shall be replaced
6 with "Oklahoma net operating loss" and "Oklahoma
7 taxable income".

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

13 a. Income from real and tangible personal property, such
14 as rents, oil and mining production or royalties, and
15 gains or losses from sales of such property, shall be
16 allocated in accordance with the situs of such
17 property;

18 b. Income from intangible personal property, such as
19 interest, dividends, patent or copyright royalties,
20 and gains or losses from sales of such property, shall
21 be allocated in accordance with the domiciliary situs
22 of the taxpayer, except that:

23 (1) where such property has acquired a nonunitary
24 business or commercial situs apart from the
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1 domicile of the taxpayer such income shall be
2 allocated in accordance with such business or
3 commercial situs; interest income from
4 investments held to generate working capital for
5 a unitary business enterprise shall be included
6 in apportionable income; a resident trust or
7 resident estate shall be treated as having a
8 separate commercial or business situs insofar as
9 undistributed income is concerned, but shall not
10 be treated as having a separate commercial or
11 business situs insofar as distributed income is
12 concerned,

13 (2) for taxable years beginning after December 31,
14 2003, capital or ordinary gains or losses from
15 the sale of an ownership interest in a publicly
16 traded partnership, as defined by Section 7704(b)
17 of the Internal Revenue Code of 1986, as amended,
18 shall be allocated to this state in the ratio of
19 the original cost of such partnership's tangible
20 property in this state to the original cost of
21 such partnership's tangible property everywhere,
22 as determined at the time of the sale; if more
23 than fifty percent (50%) of the value of the
24 partnership's assets consists of intangible

1 assets, capital or ordinary gains or losses from
2 the sale of an ownership interest in the
3 partnership shall be allocated to this state in
4 accordance with the sales factor of the
5 partnership for its first full tax period
6 immediately preceding its tax period during which
7 the ownership interest in the partnership was
8 sold; the provisions of this division shall only
9 apply if the capital or ordinary gains or losses
10 from the sale of an ownership interest in a
11 partnership do not constitute qualifying gain
12 receiving capital treatment as defined in
13 subparagraph a of paragraph 2 of subsection F of
14 this section,

15 (3) income from such property which is required to be
16 allocated pursuant to the provisions of paragraph
17 5 of this subsection shall be allocated as herein
18 provided;

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

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

4 (1) sales having a situs without this state, shipped
5 directly to a point from without the state to a
6 purchaser within the state, commonly known as
7 interstate sales,

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

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

19 the Oklahoma net income shall, at the option of the
20 taxpayer, be that portion of the total net income of
21 the taxpayer for federal income tax purposes derived
22 from the manufacture and/or processing and sales
23 everywhere as determined by the ratio of the sales
24 defined in this section made to the purchaser within

1 the state to the total sales everywhere. The term
2 "public warehouse" as used in this subparagraph means
3 a licensed public warehouse, the principal business of
4 which is warehousing merchandise for the public;

5 e. In the case of insurance companies, Oklahoma taxable
6 income shall be taxable income of the taxpayer for
7 federal tax purposes, as adjusted for the adjustments
8 provided pursuant to the provisions of paragraphs 1
9 and 2 of this subsection, apportioned as follows:

10 (1) except as otherwise provided by division (2) of
11 this subparagraph, taxable income of an insurance
12 company for a taxable year shall be apportioned
13 to this state by multiplying such income by a
14 fraction, the numerator of which is the direct
15 premiums written for insurance on property or
16 risks in this state, and the denominator of which
17 is the direct premiums written for insurance on
18 property or risks everywhere. For purposes of
19 this subsection, the term "direct premiums
20 written" means the total amount of direct
21 premiums written, assessments and annuity
22 considerations as reported for the taxable year
23 on the annual statement filed by the company with
24 the Insurance Commissioner in the form approved

1 by the National Association of Insurance
2 Commissioners, or such other form as may be
3 prescribed in lieu thereof,

4 (2) if the principal source of premiums written by an
5 insurance company consists of premiums for
6 reinsurance accepted by it, the taxable income of
7 such company shall be apportioned to this state
8 by multiplying such income by a fraction, the
9 numerator of which is the sum of (a) direct
10 premiums written for insurance on property or
11 risks in this state, plus (b) premiums written
12 for reinsurance accepted in respect of property
13 or risks in this state, and the denominator of
14 which is the sum of (c) direct premiums written
15 for insurance on property or risks everywhere,
16 plus (d) premiums written for reinsurance
17 accepted in respect of property or risks
18 everywhere. For purposes of this paragraph,
19 premiums written for reinsurance accepted in
20 respect of property or risks in this state,
21 whether or not otherwise determinable, may at the
22 election of the company be determined on the
23 basis of the proportion which premiums written
24 for insurance accepted from companies

1 commercially domiciled in ~~Oklahoma~~ this state
2 bears to premiums written for reinsurance
3 accepted from all sources, or alternatively in
4 the proportion which the sum of the direct
5 premiums written for insurance on property or
6 risks in this state by each ceding company from
7 which reinsurance is accepted bears to the sum of
8 the total direct premiums written by each such
9 ceding company for the taxable year.

10 5. The net income or loss remaining after the separate
11 allocation in paragraph 4 of this subsection, being that which is
12 derived from a unitary business enterprise, shall be apportioned to
13 this state on the basis of the arithmetical average of three factors
14 consisting of property, payroll and sales or gross revenue
15 enumerated as subparagraphs a, b and c of this paragraph. Net
16 income or loss as used in this paragraph includes that derived from
17 patent or copyright royalties, purchase discounts, and interest on
18 accounts receivable relating to or arising from a business activity,
19 the income from which is apportioned pursuant to this subsection,
20 including the sale or other disposition of such property and any
21 other property used in the unitary enterprise. Deductions used in
22 computing such net income or loss shall not include taxes based on
23 or measured by income. Provided, for corporations whose property
24 for purposes of the tax imposed by Section 2355 of this title has an

1 initial investment cost equaling or exceeding Two Hundred Million
2 Dollars (\$200,000,000.00) and such investment is made on or after
3 July 1, 1997, or for corporations which expand their property or
4 facilities in this state and such expansion has an investment cost
5 equaling or exceeding Two Hundred Million Dollars (\$200,000,000.00)
6 over a period not to exceed three (3) years, and such expansion is
7 commenced on or after January 1, 2000, the three factors shall be
8 apportioned with property and payroll, each comprising twenty-five
9 percent (25%) of the apportionment factor and sales comprising fifty
10 percent (50%) of the apportionment factor. The apportionment
11 factors shall be computed as follows:

12 a. The property factor is a fraction, the numerator of
13 which is the average value of the taxpayer's real and
14 tangible personal property owned or rented and used in
15 this state during the tax period and the denominator
16 of which is the average value of all the taxpayer's
17 real and tangible personal property everywhere owned
18 or rented and used during the tax period.

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

8 (2) Property owned by the taxpayer is valued at its
9 original cost. Property rented by the taxpayer
10 is valued at eight times the net annual rental
11 rate. Net annual rental rate is the annual
12 rental rate paid by the taxpayer, less any annual
13 rental rate received by the taxpayer from
14 subrentals,

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

22 b. The payroll factor is a fraction, the numerator of
23 which is the total compensation for services rendered
24 in the state during the tax period, and the

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

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

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

23 c. The sales factor is a fraction, the numerator of which
24 is the total sales or gross revenue of the taxpayer in
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1 this state during the tax period, and the denominator
2 of which is the total sales or gross revenue of the
3 taxpayer everywhere during the tax period. "Sales",
4 as used in this subsection, does not include sales or
5 gross revenue which are separately allocated in
6 paragraph 4 of this subsection.

7 (1) Sales of tangible personal property have a situs
8 in this state if the property is delivered or
9 shipped to a purchaser other than the United
10 States government, within this state regardless
11 of the ~~FOB~~ Freight on Board (FOB) point or other
12 conditions of the sale; or the property is
13 shipped from an office, store, warehouse, factory
14 or other place of storage in this state and (a)
15 the purchaser is the United States government or
16 (b) the taxpayer is not doing business in the
17 state of the destination of the shipment.

18 (2) In the case of a railroad or interurban railway
19 enterprise, the numerator of the fraction shall
20 not be less than the allocation of revenues to
21 this state as shown in its annual report to the
22 Corporation Commission.

23 (3) In the case of an airline, truck or bus
24 enterprise or freight car, tank car, refrigerator
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1 car or other railroad equipment enterprise, the
2 numerator of the fraction shall include a portion
3 of revenue from interstate transportation in the
4 proportion that interstate mileage traveled in
5 ~~Oklahoma~~ this state bears to total interstate
6 mileage traveled.

7 (4) In the case of an oil, gasoline or gas pipeline
8 enterprise, the numerator of the fraction shall
9 be either the total of traffic units of the
10 enterprise within ~~Oklahoma~~ this state or the
11 revenue allocated to ~~Oklahoma~~ this state based
12 upon miles moved, at the option of the taxpayer,
13 and the denominator of which shall be the total
14 of traffic units of the enterprise or the revenue
15 of the enterprise everywhere as appropriate to
16 the numerator. A "traffic unit" is hereby
17 defined as the transportation for a distance of
18 one (1) mile of one (1) barrel of oil, one (1)
19 gallon of gasoline or one thousand (1,000) cubic
20 feet of natural or casinghead gas, as the case
21 may be.

22 (5) In the case of a telephone or telegraph or other
23 communication enterprise, the numerator of the
24 fraction shall include that portion of the

1 interstate revenue as is allocated pursuant to
2 the accounting procedures prescribed by the
3 Federal Communications Commission; provided that
4 in respect to each corporation or business entity
5 required by the Federal Communications Commission
6 to keep its books and records in accordance with
7 a uniform system of accounts prescribed by such
8 Commission, the intrastate net income shall be
9 determined separately in the manner provided by
10 such uniform system of accounts and only the
11 interstate income shall be subject to allocation
12 pursuant to the provisions of this subsection.
13 Provided further, that the gross revenue factors
14 shall be those as are determined pursuant to the
15 accounting procedures prescribed by the Federal
16 Communications Commission.

17 In any case where the apportionment of the three factors
18 prescribed in this paragraph attributes to ~~Oklahoma~~ this state a
19 portion of net income of the enterprise out of all appropriate
20 proportion to the property owned and/or business transacted within
21 this state, because of the fact that one or more of the factors so
22 prescribed are not employed to any appreciable extent in furtherance
23 of the enterprise; or because one or more factors not so prescribed
24 are employed to a considerable extent in furtherance of the

1 enterprise; or because of other reasons, the Tax Commission is
2 empowered to permit, after a showing by taxpayer that an excessive
3 portion of net income has been attributed to ~~Oklahoma~~ this state, or
4 require, when in its judgment an insufficient portion of net income
5 has been attributed to ~~Oklahoma~~ this state, the elimination,
6 substitution, or use of additional factors, or reduction or increase
7 in the weight of such prescribed factors. Provided, however, that
8 any such variance from such prescribed factors which has the effect
9 of increasing the portion of net income attributable to ~~Oklahoma~~
10 this state must not be inherently arbitrary, and application of the
11 recomputed final apportionment to the net income of the enterprise
12 must attribute to ~~Oklahoma~~ this state only a reasonable portion
13 thereof.

14 6. For calendar years 1997 and 1998, the owner of a new or
15 expanded agricultural commodity processing facility in this state
16 may exclude from Oklahoma taxable income, or in the case of an
17 individual, the Oklahoma adjusted gross income, fifteen percent
18 (15%) of the investment by the owner in the new or expanded
19 agricultural commodity processing facility. For calendar year 1999,
20 and all subsequent years, the percentage, not to exceed fifteen
21 percent (15%), available to the owner of a new or expanded
22 agricultural commodity processing facility in this state claiming
23 the exemption shall be adjusted annually so that the total estimated
24 reduction in tax liability does not exceed One Million Dollars

1 (\$1,000,000.00) annually. The Tax Commission shall promulgate rules
2 for determining the percentage of the investment which each eligible
3 taxpayer may exclude. The exclusion provided by this paragraph
4 shall be taken in the taxable year when the investment is made. In
5 the event the total reduction in tax liability authorized by this
6 paragraph exceeds One Million Dollars (\$1,000,000.00) in any
7 calendar year, the Tax Commission shall permit any excess over One
8 Million Dollars (\$1,000,000.00) and shall factor such excess into
9 the percentage for subsequent years. Any amount of the exemption
10 permitted to be excluded pursuant to the provisions of this
11 paragraph but not used in any year may be carried forward as an
12 exemption from income pursuant to the provisions of this paragraph
13 for a period not exceeding six (6) years following the year in which
14 the investment was originally made.

15 For purposes of this paragraph:

- 16 a. "Agricultural commodity processing facility" means
17 ~~building~~ buildings, structures, fixtures and
18 improvements used or operated primarily for the
19 processing or production of marketable products from
20 agricultural commodities. The term shall also mean a
21 dairy operation that requires a depreciable investment
22 of at least Two Hundred Fifty Thousand Dollars
23 (\$250,000.00) and which produces milk from dairy cows.
24 The term does not include a facility that provides

1 only, and nothing more than, storage, cleaning, drying
2 or transportation of agricultural commodities, and

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

5 (1) the processing of agricultural commodities,
6 including receiving or storing agricultural
7 commodities, or the production of milk at a dairy
8 operation,

9 (2) transporting the agricultural commodities or
10 product before, during or after the processing,
11 or

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

14 7. Despite any provision to the contrary in paragraph 3 of this
15 subsection, for taxable years beginning after December 31, 1999, in
16 the case of a taxpayer which has a farming loss, such farming loss
17 shall be considered a net operating loss carryback in accordance
18 with and to the extent of the Internal Revenue Code of 1986, as
19 amended, 26 U.S.C., Section ~~172(b)(G)~~ 172(b)(1)(B). However, the
20 amount of the net operating loss carryback shall not exceed the
21 lesser of:

22 a. Sixty Thousand Dollars (\$60,000.00), or

23 b. the loss properly shown on Schedule F of the Internal
24 Revenue Service Form 1040 reduced by one-half (1/2) of
25

1 the income from all other sources other than reflected
2 on Schedule F.

3 8. In taxable years beginning after December 31, 1995, all
4 qualified wages equal to the federal income tax credit set forth in
5 26 U.S.C.A., Section 45A, shall be deducted from taxable income.
6 The deduction allowed pursuant to this paragraph shall only be
7 permitted for the tax years in which the federal tax credit pursuant
8 to 26 U.S.C.A., Section 45A, is allowed. For purposes of this
9 paragraph, "qualified wages" means those wages used to calculate the
10 federal credit pursuant to 26 U.S.C.A., Section 45A.

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

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

1 of the Internal Revenue Code of 1986 as amended by Section 1231 of
2 the American Recovery and Reinvestment Act of 2009 (P.L. No. 111-5).

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

1 B. 1. The taxable income of any corporation shall be further
2 adjusted to arrive at Oklahoma taxable income, except those
3 corporations electing treatment as provided in subchapter S of the
4 Internal Revenue Code of 1986, as amended, 26 U.S.C., Section 1361
5 et seq., and Section 2365 of this title, deductions pursuant to the
6 provisions of the Accelerated Cost Recovery System as ~~defined~~
7 provided and allowed in the Economic Recovery Tax Act of 1981,
8 Public Law 97-34, 26 U.S.C., Section 168, for depreciation of assets
9 placed into service after December 31, 1981, shall not be allowed in
10 calculating Oklahoma taxable income. Such corporations shall be
11 allowed a deduction for depreciation of assets placed into service
12 after December 31, 1981, in accordance with provisions of the
13 Internal Revenue Code of 1986, as amended, 26 U.S.C., Section 1 et
14 seq., in effect immediately prior to the enactment of the
15 Accelerated Cost Recovery System. The Oklahoma tax basis for all
16 such assets placed into service after December 31, 1981, calculated
17 in this section shall be retained and utilized for all Oklahoma
18 income tax purposes through the final disposition of such assets.

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

1 For assets placed in service and held by a corporation in which
2 ~~accelerated cost recovery system~~ the Accelerated Cost Recovery
3 System was previously disallowed, an adjustment to taxable income is
4 required in the first taxable year beginning after December 31,
5 1982, to reconcile the basis of such assets to the basis allowed in
6 the Internal Revenue Code of 1986, as amended. The purpose of this
7 adjustment is to equalize the basis and allowance for depreciation
8 accounts between that reported to the Internal Revenue Service and
9 that reported to ~~Oklahoma~~ this state.

10 2. For tax years beginning on or after January 1, 2009, and
11 ending on or before December 31, 2009, there shall be added to
12 Oklahoma taxable income any amount in excess of One Hundred Seventy-
13 five Thousand Dollars (\$175,000.00) which has been deducted as a
14 small business expense under Internal Revenue Code of 1986, as
15 amended, Section 179 as provided in the American Recovery and
16 Reinvestment Act of 2009.

17 C. 1. For taxable years beginning after December 31, 1987, the
18 taxable income of any corporation shall be further adjusted to
19 arrive at Oklahoma taxable income for transfers of technology to
20 qualified small businesses located in ~~Oklahoma~~ this state. Such
21 transferor corporation shall be allowed an exemption from taxable
22 income of an amount equal to the amount of royalty payment received
23 as a result of such transfer; provided, however, such amount shall
24 not exceed ten percent (10%) of the amount of gross proceeds

1 received by such transferor corporation as a result of the
2 technology transfer. Such exemption shall be allowed for a period
3 not to exceed ten (10) years from the date of receipt of the first
4 royalty payment accruing from such transfer. No exemption may be
5 claimed for transfers of technology to qualified small businesses
6 made prior to January 1, 1988.

7 2. For purposes of this subsection:

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

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

15 (2) Having at least fifty percent (50%) of its
16 employees and assets located in ~~Oklahoma~~ this
17 state at the time of the transfer, and

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

20 b. "Technology" means a proprietary process, formula,
21 pattern, device or compilation of scientific or
22 technical information which is not in the public
23 domain;

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

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

7 D. 1. For taxable years beginning after December 31, 2005, the
8 taxable income of any corporation, estate or trust, shall be further
9 adjusted for qualifying gains receiving capital treatment. Such
10 corporations, estates or trusts shall be allowed a deduction from
11 Oklahoma taxable income for the amount of qualifying gains receiving
12 capital treatment earned by the corporation, estate or trust during
13 the taxable year and included in the federal taxable income of such
14 corporation, estate or trust.

15 2. As used in this subsection:

16 a. "qualifying gains receiving capital treatment" means
17 the amount of net capital gains, as defined in Section
18 1222(11) of the Internal Revenue Code of 1986, as
19 amended, included in the federal income tax return of
20 the corporation, estate or trust that result from:

21 (1) the sale of real property or tangible personal
22 property located within ~~Oklahoma~~ this state that
23 has been directly or indirectly owned by the
24 corporation, estate or trust for a holding period

1 of at least five (5) years prior to the date of
2 the transaction from which such net capital gains
3 arise,

4 (2) the sale of stock or on the sale of an ownership
5 interest in an Oklahoma company, limited
6 liability company, or partnership where such
7 stock or ownership interest has been directly or
8 indirectly owned by the corporation, estate or
9 trust for a holding period of at least three (3)
10 years prior to the date of the transaction from
11 which the net capital gains arise, or

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

23 b. "holding period" means an uninterrupted period of
24 time. The holding period shall include any additional

1 period when the property was held by another
2 individual or entity, if such additional period is
3 included in the taxpayer's holding period for the
4 asset pursuant to the Internal Revenue Code of 1986,
5 as amended,

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

12 d. "direct" means the taxpayer directly owns the asset,
13 and

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

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

1 created the capital gain, and each pass-through
2 entity included in the chain of ownership has
3 been a member, partner, or shareholder of the
4 pass-through entity in the tier immediately below
5 it for an uninterrupted period of not less than
6 five (5) years.

7 (2) With respect to sales of stock or ownership
8 interest in or sales of all or substantially all
9 of the assets of an Oklahoma company, limited
10 liability company, or partnership, the deduction
11 described in this subsection shall not apply
12 unless the pass-through entity that makes the
13 sale has held the stock or ownership interest or
14 the assets for not less than three (3)
15 uninterrupted years prior to the date of the
16 transaction that created the capital gain, and
17 each pass-through entity included in the chain of
18 ownership has been a member, partner or
19 shareholder of the pass-through entity in the
20 tier immediately below it for an uninterrupted
21 period of not less than three (3) years.

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

1 1. a. In the case of individuals, there shall be added or
2 deducted, as the case may be, the difference necessary
3 to allow personal exemptions of One Thousand Dollars
4 (\$1,000.00) in lieu of the personal exemptions allowed
5 by the Internal Revenue Code of 1986, as amended.

6 b. There shall be allowed an additional exemption of One
7 Thousand Dollars (\$1,000.00) for each taxpayer or
8 spouse who is blind at the close of the tax year. For
9 purposes of this subparagraph, an individual is blind
10 only if the central visual acuity of the individual
11 does not exceed 20/200 in the better eye with
12 correcting lenses, or if the visual acuity of the
13 individual is greater than 20/200, but is accompanied
14 by a limitation in the fields of vision such that the
15 widest diameter of the visual field subtends an angle
16 no greater than twenty (20) degrees.

17 c. There shall be allowed an additional exemption of One
18 Thousand Dollars (\$1,000.00) for each taxpayer or
19 spouse who is sixty-five (65) years of age or older at
20 the close of the tax year based upon the filing status
21 and federal adjusted gross income of the taxpayer.
22 Taxpayers with the following filing status may claim
23 this exemption if the federal adjusted gross income
24 does not exceed:

- 1 (1) Twenty-five Thousand Dollars (\$25,000.00) if
- 2 married and filing jointly,
- 3 (2) Twelve Thousand Five Hundred Dollars (\$12,500.00)
- 4 if married and filing separately,
- 5 (3) Fifteen Thousand Dollars (\$15,000.00) if single,
- 6 and
- 7 (4) Nineteen Thousand Dollars (\$19,000.00) if a
- 8 qualifying head of household.

9 Provided, for taxable years beginning after December
10 31, 1999, amounts included in the calculation of
11 federal adjusted gross income pursuant to the
12 conversion of a traditional individual retirement
13 account to a Roth individual retirement account shall
14 be excluded from federal adjusted gross income for
15 purposes of the income thresholds provided in this
16 subparagraph.

- 17 2. a. For taxable years beginning on or before December 31,
- 18 2005, in the case of individuals who use the standard
- 19 deduction in determining taxable income, there shall
- 20 be added or deducted, as the case may be, the
- 21 difference necessary to allow a standard deduction in
- 22 lieu of the standard deduction allowed by the Internal
- 23 Revenue Code of 1986, as amended, in an amount equal
- 24 to the larger of fifteen percent (15%) of the Oklahoma

1 adjusted gross income or One Thousand Dollars
2 (\$1,000.00), but not to exceed Two Thousand Dollars
3 (\$2,000.00), except that in the case of a married
4 individual filing a separate return such deduction
5 shall be the larger of fifteen percent (15%) of such
6 Oklahoma adjusted gross income or Five Hundred Dollars
7 (\$500.00), but not to exceed the maximum amount of One
8 Thousand Dollars (\$1,000.00).

9 b. For taxable years beginning on or after January 1,
10 2006, and before January 1, 2007, in the case of
11 individuals who use the standard deduction in
12 determining taxable income, there shall be added or
13 deducted, as the case may be, the difference necessary
14 to allow a standard deduction in lieu of the standard
15 deduction allowed by the Internal Revenue Code of
16 1986, as amended, in an amount equal to:

17 (1) Three Thousand Dollars (\$3,000.00), if the filing
18 status is married filing joint, head of household
19 or qualifying widow, or

20 (2) Two Thousand Dollars (\$2,000.00), if the filing
21 status is single or married filing separate.

22 c. For the taxable year beginning on January 1, 2007, and
23 ending December 31, 2007, in the case of individuals
24 who use the standard deduction in determining taxable
25

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

9 (2) Four Thousand One Hundred Twenty-five Dollars
10 (\$4,125.00) for a head of household, or

11 (3) Two Thousand Seven Hundred Fifty Dollars
12 (\$2,750.00), if the filing status is single or
13 married filing separate.

14 d. For the taxable year beginning on January 1, 2008, and
15 ending December 31, 2008, in the case of individuals
16 who use the standard deduction in determining taxable
17 income, there shall be added or deducted, as the case
18 may be, the difference necessary to allow a standard
19 deduction in lieu of the standard deduction allowed by
20 the Internal Revenue Code of 1986, as amended, in an
21 amount equal to:

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

- 1 (2) Four Thousand Eight Hundred Seventy-five Dollars
2 (\$4,875.00) for a head of household, or
3 (3) Three Thousand Two Hundred Fifty Dollars
4 (\$3,250.00), if the filing status is single or
5 married filing separate.

6 e. For the taxable year beginning on January 1, 2009, and
7 ending December 31, 2009, in the case of individuals
8 who use the standard deduction in determining taxable
9 income, there shall be added or deducted, as the case
10 may be, the difference necessary to allow a standard
11 deduction in lieu of the standard deduction allowed by
12 the Internal Revenue Code of 1986, as amended, in an
13 amount equal to:

- 14 (1) Eight Thousand Five Hundred Dollars (\$8,500.00),
15 if the filing status is married filing joint or
16 qualifying widow,
17 (2) Six Thousand Three Hundred Seventy-five Dollars
18 (\$6,375.00) for a head of household, or
19 (3) Four Thousand Two Hundred Fifty Dollars
20 (\$4,250.00), if the filing status is single or
21 married filing separate.

22 Oklahoma adjusted gross income shall be increased by
23 any amounts paid for motor vehicle excise taxes which
24

1 were deducted as allowed by the Internal Revenue Code
2 of 1986, as amended.

3 f. For taxable years beginning on or after January 1,
4 2010, and ending on December 31, 2016, in the case of
5 individuals who use the standard deduction in
6 determining taxable income, there shall be added or
7 deducted, as the case may be, the difference necessary
8 to allow a standard deduction equal to the standard
9 deduction allowed by the Internal Revenue Code of
10 1986, as amended, based upon the amount and filing
11 status prescribed by such Code for purposes of filing
12 federal individual income tax returns.

13 g. For taxable years beginning on or after January 1,
14 2017, in the case of individuals who use the standard
15 deduction in determining taxable income, there shall
16 be added or deducted, as the case may be, the
17 difference necessary to allow a standard deduction in
18 lieu of the standard deduction allowed by the Internal
19 Revenue Code of 1986, as amended, as follows:

20 (1) Six Thousand Three Hundred Fifty Dollars
21 (\$6,350.00) for single or married filing
22 separately,
23
24

- 1 (2) Twelve Thousand Seven Hundred Dollars
2 (\$12,700.00) for married filing jointly or
3 qualifying widower with dependent child, and
4 (3) Nine Thousand Three Hundred Fifty Dollars
5 (\$9,350.00) for head of household.

- 6 3. a. In the case of resident and part-year resident
7 individuals having adjusted gross income from sources
8 both within and without the state, the itemized or
9 standard deductions and personal exemptions shall be
10 reduced to an amount which is the same portion of the
11 total thereof as Oklahoma adjusted gross income is of
12 adjusted gross income. To the extent itemized
13 deductions include allowable moving expense, proration
14 of moving expense shall not be required or permitted
15 but allowable moving expense shall be fully deductible
16 for those taxpayers moving within or into ~~Oklahoma~~
17 this state and no part of moving expense shall be
18 deductible for those taxpayers moving without or out
19 of ~~Oklahoma~~ this state. All other itemized or
20 standard deductions and personal exemptions shall be
21 subject to proration as provided by law.
- 22 b. For taxable years beginning on or after January 1,
23 2018, the net amount of itemized deductions allowable
24 on an Oklahoma income tax return, subject to the

1 provisions of paragraph 24 of this subsection, shall
2 not exceed Seventeen Thousand Dollars (\$17,000.00).
3 For purposes of this subparagraph, charitable
4 contributions and medical expenses deductible for
5 federal income tax purposes shall be excluded from the
6 amount of Seventeen Thousand Dollars (\$17,000.00) as
7 specified by this subparagraph. Provided further, for
8 tax year 2020 and subsequent tax years, wagering
9 losses which are deductible pursuant to the provisions
10 of 26 U.S.C., Section 165(d) shall be excluded from
11 the amount of Seventeen Thousand Dollars (\$17,000.00)
12 as 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.
24

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

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

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

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

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

22 (2) absence from ~~the State of Oklahoma~~ this state
23 while on active duty, or
24
25

1 (3) confinement in a hospital within the United
2 States for treatment of wounds, injuries or
3 disease,
4 the time for filing a return and paying an income tax
5 shall be and is hereby extended without incurring
6 liability for interest or penalties, to the fifteenth
7 day of the third month following the month in which:

8 (a) Such individual shall return to the United
9 States if the extension is granted pursuant
10 to ~~subparagraph a~~ division 1 of this
11 ~~paragraph subparagraph~~, return to ~~the State~~
12 ~~of Oklahoma~~ this state if the extension is
13 granted pursuant to ~~subparagraph b~~ division
14 2 of this ~~paragraph~~ subparagraph or be
15 discharged from such hospital if the
16 extension is granted pursuant to
17 ~~subparagraph e~~ division 3 of this ~~paragraph~~
18 subparagraph, or

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

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

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

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

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

18 b. Federal taxes as described in subparagraph a of this
19 paragraph shall be deductible by any individual
20 taxpayer, whether resident or nonresident, only to the
21 extent they relate to income subject to taxation
22 pursuant to the provisions of the Oklahoma Income Tax
23 Act. The maximum amount allowable in ~~the preceding~~
24 paragraph 5 of this subsection shall be prorated on
25

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.

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

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

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

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

1 status is married filing jointly or qualifying
2 widow, and

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

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

9 (1) an employee pension benefit plan which satisfies
10 the requirements of Section 401 of the Internal
11 Revenue Code of 1986, as amended, 26 U.S.C.,
12 Section 401,

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

17 (3) an individual retirement account, annuity or
18 trust or simplified employee pension that
19 satisfies the requirements of Section 408 of the
20 Internal Revenue Code of 1986, as amended, 26
21 U.S.C., Section 408,

22 (4) an employee annuity subject to the provisions of
23 Section 403(a) or (b) of the Internal Revenue
24

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
24

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
25

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

1 (d) a rollover or change of designated
2 beneficiary as permitted by subsection F of
3 Section 3970.7 of Title 70 of the Oklahoma
4 Statutes, and

5 (2) "rollover" means the transfer of funds from the
6 Oklahoma College Savings Plan to any other plan
7 under Section 529 of the Internal Revenue Code of
8 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
24

1 1986, as amended, 26 U.S.C., Section 86, according to the following
2 schedule:

- 3 a. in the taxable year beginning January 1, 2007, twenty
4 percent (20%) of such benefits shall be exempt,
- 5 b. in the taxable year beginning January 1, 2008, forty
6 percent (40%) of such benefits shall be exempt,
- 7 c. in the taxable year beginning January 1, 2009, sixty
8 percent (60%) of such benefits shall be exempt,
- 9 d. in the taxable year beginning January 1, 2010, eighty
10 percent (80%) of such benefits shall be exempt, and
- 11 e. in the taxable year beginning January 1, 2011, and
12 subsequent taxable years, one hundred percent (100%)
13 of such benefits shall be exempt.

- 14 19. a. For taxable years beginning after December 31, 2007, a
15 resident individual may deduct up to Ten Thousand
16 Dollars (\$10,000.00) from Oklahoma adjusted gross
17 income if the individual, or the dependent of the
18 individual, while living, donates one or more human
19 organs of the individual to another human being for
20 human organ transplantation. As used in this
21 paragraph, "human organ" means all or part of a liver,
22 pancreas, kidney, intestine, lung, or bone marrow. A
23 deduction that is claimed under this paragraph may be
24

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
25

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
25

1 company, limited liability company, or
2 partnership where such stock or ownership
3 interest has been directly or indirectly owned by
4 the individual taxpayer for a holding period of
5 at least two (2) years prior to the date of the
6 transaction from which the net capital gains
7 arise, or

8 (3) the sale of real property, tangible personal
9 property or intangible personal property located
10 within ~~Oklahoma~~ this state as part of the sale of
11 all or substantially all of the assets of an
12 Oklahoma company, limited liability company, or
13 partnership or an Oklahoma proprietorship
14 business enterprise where such property has been
15 directly or indirectly owned by such entity or
16 business enterprise or owned by the owners of
17 such entity or business enterprise for a period
18 of at least two (2) years prior to the date of
19 the transaction from which the net capital gains
20 arise,

21 b. "holding period" means an uninterrupted period of
22 time. The holding period shall include any additional
23 period when the property was held by another
24 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,
24

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 (1) any real estate investment trust as defined in
2 paragraph a of this subsection other than a
3 ~~"captive real estate investment trust"~~ captive
4 real estate investment trust,
- 5 (2) any qualified real estate investment trust
6 subsidiary under Section 856(i) of the Internal
7 Revenue Code of 1986, as amended, other than a
8 qualified REIT subsidiary of a ~~"captive real~~
9 ~~estate investment trust"~~ captive real estate
10 investment trust,
- 11 (3) any ~~Listed Australian Property Trust~~ listed
12 Australian property trust (meaning an Australian
13 unit trust registered as a ~~"Managed Investment~~
14 ~~Scheme"~~ "managed investment scheme" under the
15 Australian Corporations Act 2001 in which the
16 principal class of units is listed on a
17 recognized stock exchange in Australia and is
18 regularly traded on an established securities
19 market), or an entity organized as a trust,
20 provided that a ~~Listed Australian Property Trust~~
21 listed Australian property trust owns or
22 controls, directly or indirectly, seventy-five
23 percent (75%) or more of the voting power or
24

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

1 jurisdiction in which it is organized, to
2 the holders of its shares or certificates of
3 beneficial interest on an annual basis,

4 (d) not more than ten percent (10%) of the
5 voting power or value in such entity is held
6 directly or indirectly or constructively by
7 a single entity or individual, or the shares
8 or beneficial interests of such entity are
9 regularly traded on an established
10 securities market, and

11 (e) the entity is organized in a country which
12 has a tax treaty with the United States.

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

18 4. A real estate investment trust that does not become
19 regularly traded on an established securities market within one (1)
20 year of the date on which it first becomes a real estate investment
21 trust shall be deemed not to have been regularly traded on an
22 established securities market, retroactive to the date it first
23 became a real estate investment trust, and shall file an amended
24 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 2. This act shall become effective November 1, 2025.

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