

1 STATE OF OKLAHOMA

2 2nd Session of the 53rd Legislature (2012)

3 CONFERENCE COMMITTEE SUBSTITUTE
4 FOR ENGROSSED

5 SENATE BILL NO. 1230

6 By: Mazzei of the Senate

7 and

8 Dank, Enns and Cooksey of
9 the House

10 CONFERENCE COMMITTEE SUBSTITUTE

11 An Act relating to income tax; amending 27A O.S.
12 2011, Section 2-11-303, which relates to income tax
13 credit for investments related to recycling, reuse or
14 reduction of hazardous waste; limiting ability to
15 claim credits; amending 68 O.S. 2011, Section 2355,
16 which relates to income tax rates; modifying rates
17 and brackets for specified time period; amending 68
18 O.S. 2011, Sections 2357, 2357.4, 2357.6, 2357.11,
19 2357.25, 2357.26, 2357.27, 2357.30, 2357.32A,
20 2357.32B, 2357.33, 2357.41, 2357.43, 2357.45,
21 2357.46, 2357.47, 2357.59, 2357.81, 2357.100,
22 2357.101, 2357.102, 2357.104, 2357.203, 2357.206 and
23 2357.303, which relate to tax credits; limiting
24 ability to claim credits for child care expenses,
child tax credit, gas used in manufacturing,
investment or increase in employment, certain
contributions, for furnishing specified services,
purchasing coal, engaging in certain activities,
certain agricultural investments, certain expenses by
employers related to child care and the business of
child care, amounts paid as a guaranty fee,
production and sale of zero-emission electricity,
manufacture of wind turbines, certain immunizations,
qualified rehabilitation expenditures, percentage of
certain federal credits, certain donations, specified
expenditures for construction, eligible wages,
investment in certain recycling facility, location of
a facility within a specified zone, purchase of
poultry litter, investment in a film or music

1 project, cost of certain equipment, railroad
2 reconstruction or replacement expenditures, and
3 expenses related to specially trained canines;
4 amending 68 O.S. 2011, Section 2358, which relates to
5 adjustments to income; limiting amount which may be
6 exempted as a personal exemption, exemption for
7 blindness, and exemption related to age; limiting
8 deduction for expenditures related to specified
9 physical disability; modifying application of certain
10 provision and limiting amount which may be excluded
11 from taxable income; limiting deduction for
12 nonrecurring adoption expenses; limiting deduction
13 for contributions to certain savings plan; requiring
14 taxable income to be increased for certain deduction
15 at specified amounts; amending 68 O.S. 2011, Section
16 2358.3, which relates to deductions; limiting amount
17 of deduction for certain contributions; amending 68
18 O.S. 2011, Section 2358.7, which relates to tax
19 credit; limiting amount of credit for certain
20 certifications; amending 68 O.S. 2370, which relates
21 to bank privilege tax; limiting amount of credit
22 which may be claimed against tax; amending 68 O.S.
23 2011, Section 2370.3, which relates to bank privilege
24 tax; limiting amount of credit which may be claimed
against tax for amounts paid in origination fees;
amending 68 O.S. 2011, Sections 2906 and 2907, which
relate to property tax relief claimed as income tax
credit; limiting ability to claim credit; amending 68
O.S. 2011, Section 3624, which relates to Oklahoma
Film Enhancement Rebate Program; limiting ability to
claim rebate; amending 68 O.S. 2011, Section 5011,
which relates to the Sales Tax Relief Act; limiting
ability to file claims and amount of such claims;
amending 68 O.S. 2011, Section 54006, which relates
to Oklahoma Research and Development Incentives Act;
limiting ability to claim credit; repealing 68 O.S.
2011, Sections 1370.3, 2357.13, 2357.24, 2357.31,
2357.40 and 2357.402, which relate to income tax
credits; repealing 74 O.S. 2011, Sections 5075 and
5078, which relate to income tax credits; providing
an effective date; and declaring an emergency.

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

1 SECTION 1. AMENDATORY 27A O.S. 2011, Section 2-11-303,
2 is amended to read as follows:

3 Section 2-11-303. A. Except as otherwise provided in
4 subsection C of this section, any person, firm, corporation or other
5 legal entity engaged, or proposing to engage, in the recycling,
6 reuse or source reduction of any hazardous waste, the processing of
7 which is certified as provided in Section 2-11-305 of this title,
8 shall be entitled to a one-time credit against its income tax
9 liability, as provided in Section 2-11-304 of this title, of not to
10 exceed twenty percent (20%) of the net investment cost of equipment
11 and installation of processes used for the recycling, reuse, or
12 source reduction of hazardous waste. Provided, that:

13 1. The credit allowed to be taken shall not exceed the income
14 tax liability for such year for such person, firm, corporation or
15 legal entity;

16 2. The tax credit to be allowed shall not extend to or include
17 plant operating expenses;

18 3. The person, firm, corporation or other legal entity applying
19 for such tax credit actually uses the recycling, reuse, or source
20 reduction process;

21 4. The tax credit is taken within three (3) years of the
22 installation and actual use of such process; and

23

24

1 5. The tax credit allowed by any person, firm, corporation or
2 other legal entity for any three (3) consecutive tax years shall not
3 exceed a total of Fifty Thousand Dollars (\$50,000.00).

4 B. The investment cost of such process may be treated as a
5 depreciable asset for income tax purposes.

6 C. No credit otherwise authorized by the provisions of this
7 section may be claimed for any event, transaction, investment,
8 expenditure or other act occurring on or after July 1, 2010,~~for~~
9 ~~which the credit would otherwise be allowable. The provisions of~~
10 ~~this subsection shall cease to be operative on July 1, 2012.~~
11 ~~Beginning July 1, 2012, the credit authorized by this section may be~~
12 ~~claimed for any event, transaction, investment, expenditure or other~~
13 ~~act occurring on or after July 1, 2012, according to the provisions~~
14 ~~of this section.~~

15 SECTION 2. AMENDATORY 68 O.S. 2011, Section 2355, is
16 amended to read as follows:

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

22 1. METHOD 1.

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

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

16 b. Married individuals filing jointly and surviving
17 spouse to the extent and in the manner that a
18 surviving spouse is permitted to file a joint return
19 under the provisions of the Internal Revenue Code and
20 heads of households as defined in the Internal Revenue
21 Code not deducting federal income tax:

- 22 (1) 1/2% tax on first \$2,000.00 or part thereof,
- 23 (2) 1% tax on next \$3,000.00 or part thereof,
- 24 (3) 2% tax on next \$2,500.00 or part thereof,

- 1 (4) 3% tax on next \$2,300.00 or part thereof,
2 (5) 4% tax on next \$2,400.00 or part thereof,
3 (6) 5% tax on next \$2,800.00 or part thereof,
4 (7) 6% tax on next \$6,000.00 or part thereof, and
5 (8) (a) for taxable years beginning after December
6 31, 1998, and before January 1, 2002, 6.75%
7 tax on the remainder,
8 (b) for taxable years beginning on or after
9 January 1, 2002, and before January 1, 2004,
10 7% tax on the remainder, and
11 (c) for taxable years beginning on or after
12 January 1, 2004, 6.65% tax on the remainder.

13 2. METHOD 2.

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

- 16 (1) 1/2% tax on first \$1,000.00 or part thereof,
17 (2) 1% tax on next \$1,500.00 or part thereof,
18 (3) 2% tax on next \$1,250.00 or part thereof,
19 (4) 3% tax on next \$1,150.00 or part thereof,
20 (5) 4% tax on next \$1,200.00 or part thereof,
21 (6) 5% tax on next \$1,400.00 or part thereof,
22 (7) 6% tax on next \$1,500.00 or part thereof,
23 (8) 7% tax on next \$1,500.00 or part thereof,
24 (9) 8% tax on next \$2,000.00 or part thereof,

1 (10) 9% tax on next \$3,500.00 or part thereof, and

2 (11) 10% tax on the remainder.

3 b. Married individuals filing jointly and surviving
4 spouse to the extent and in the manner that a
5 surviving spouse is permitted to file a joint return
6 under the provisions of the Internal Revenue Code and
7 heads of households as defined in the Internal Revenue
8 Code deducting federal income tax:

9 (1) 1/2% tax on the first \$2,000.00 or part thereof,

10 (2) 1% tax on the next \$3,000.00 or part thereof,

11 (3) 2% tax on the next \$2,500.00 or part thereof,

12 (4) 3% tax on the next \$1,400.00 or part thereof,

13 (5) 4% tax on the next \$1,500.00 or part thereof,

14 (6) 5% tax on the next \$1,600.00 or part thereof,

15 (7) 6% tax on the next \$1,250.00 or part thereof,

16 (8) 7% tax on the next \$1,750.00 or part thereof,

17 (9) 8% tax on the next \$3,000.00 or part thereof,

18 (10) 9% tax on the next \$6,000.00 or part thereof, and

19 (11) 10% tax on the remainder.

20 B. 1. Individuals. For all taxable years beginning on or
21 after January 1, 2008, and before January 1, 2012, a tax is hereby
22 imposed upon the Oklahoma taxable income of every resident or
23 nonresident individual, which tax shall be computed as follows:

24 1.

1 under the provisions of the Internal Revenue Code and
2 heads of households as defined in the Internal Revenue
3 Code:

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

5 ~~(b)~~ (2) 1% tax on next \$3,000.00 or part thereof,

6 ~~(c)~~ (3) 2% tax on next \$2,500.00 or part thereof,

7 ~~(d)~~ (4) 3% tax on next \$2,300.00 or part thereof,

8 ~~(e)~~ (5) 4% tax on next \$2,400.00 or part thereof,

9 ~~(f)~~ (6) 5% tax on next \$2,800.00 or part thereof,

10 and

11 ~~(g)~~ (7) 5.50% tax on the remainder for the 2008 tax

12 year ~~and any subsequent~~ through the 2011 tax year

13 ~~unless the rate prescribed by subparagraph (h) of~~
14 ~~this paragraph is in effect, and~~

15 ~~(h)~~ ~~5.25% tax on the remainder for the 2009 and~~

16 ~~subsequent tax years. The decrease in the top~~

17 ~~marginal individual income tax rate otherwise~~

18 ~~authorized by this subparagraph shall be~~

19 ~~contingent upon the determination required to be~~

20 ~~made by the State Board of Equalization pursuant~~

21 ~~to Section 2355.1A of this title.~~

22 2. Individuals. For the taxable year beginning on January 1,

23 2012, a tax is hereby imposed upon the Oklahoma taxable income of

1 every resident or nonresident individual, which tax shall be
2 computed as follows:

3 a. Single individuals and married individuals filing
4 separately:

5 (1) 1/2% tax on first \$1,000.00 or part thereof,

6 (2) 1% tax on next \$1,500.00 or part thereof,

7 (3) 2% tax on next \$1,250.00 or part thereof,

8 (4) 3% tax on next \$1,150.00 or part thereof,

9 (5) 4% tax on next \$2,300.00 or part thereof,

10 (6) 5% tax on next \$1,500.00 or part thereof, and

11 (7) 5.25% tax on the remainder.

12 b. Married individuals filing jointly and surviving

13 spouse to the extent and in the manner that a

14 surviving spouse is permitted to file a joint return

15 under the provisions of the Internal Revenue Code and

16 heads of households as defined in the Internal Revenue

17 Code:

18 (1) 1/2% tax on first \$2,000.00 or part thereof,

19 (2) 1% tax on next \$3,000.00 or part thereof,

20 (3) 2% tax on next \$2,500.00 or part thereof,

21 (4) 3% tax on next \$2,300.00 or part thereof,

22 (5) 4% tax on next \$2,400.00 or part thereof,

23 (6) 5% tax on next \$2,800.00 or part thereof, and

24 (7) 5.25% tax on the remainder.

1 3. Individuals. For the taxable year beginning on January 1,
2 2013, a tax is hereby imposed upon the Oklahoma taxable income of
3 every resident or nonresident individual, which tax shall be
4 computed as follows:

5 a. Single individuals and married individuals filing
6 separately:

- 7 (1) 1/2% tax on first \$1,000.00 or part thereof,
- 8 (2) 1% tax on next \$1,500.00 or part thereof,
- 9 (3) 2% tax on next \$1,250.00 or part thereof,
- 10 (4) 3% tax on next \$1,150.00 or part thereof,
- 11 (5) 4% tax on next \$2,300.00 or part thereof, and
- 12 (6) 5% tax on the remainder.

13 b. Married individuals filing jointly and surviving
14 spouse to the extent and in the manner that a
15 surviving spouse is permitted to file a joint return
16 under the provisions of the Internal Revenue Code and
17 heads of households as defined in the Internal Revenue
18 Code:

- 19 (1) 1/2% tax on first \$2,000.00 or part thereof,
- 20 (2) 1% tax on next \$3,000.00 or part thereof,
- 21 (3) 2% tax on next \$2,500.00 or part thereof,
- 22 (4) 3% tax on next \$2,300.00 or part thereof,
- 23 (5) 4% tax on next \$2,400.00 or part thereof, and
- 24 (6) 5% tax on the remainder.

1 4. Individuals. For all taxable years beginning on or after
2 January 1, 2014, a tax is hereby imposed upon the Oklahoma taxable
3 income of every resident or nonresident individual, which tax shall
4 be computed as follows:

5 a. Single individuals and married individuals filing
6 separately:

- 7 (1) 1/2% tax on first \$1,000.00 or part thereof,
8 (2) 1% tax on next \$1,500.00 or part thereof,
9 (3) 2% tax on next \$1,250.00 or part thereof,
10 (4) 3% tax on next \$1,150.00 or part thereof,
11 (5) 4% tax on next \$2,300.00 or part thereof, and
12 (6) 4.75% tax on the remainder.

13 b. Married individuals filing jointly and surviving
14 spouse to the extent and in the manner that a
15 surviving spouse is permitted to file a joint return
16 under the provisions of the Internal Revenue Code and
17 heads of households as defined in the Internal Revenue
18 Code:

- 19 (1) 1/2% tax on first \$2,000.00 or part thereof,
20 (2) 1% tax on next \$3,000.00 or part thereof,
21 (3) 2% tax on next \$2,500.00 or part thereof,
22 (4) 3% tax on next \$2,300.00 or part thereof,
23 (5) 4% tax on the next \$2,400.00 or part thereof, and
24 (6) 4.75% tax on the remainder.

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

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

10 Every payer of amounts covered by this subsection shall deduct
11 and withhold from such amounts paid each payee an amount equal to
12 eight percent (8%) thereof. Every payer required to deduct and
13 withhold taxes under this subsection shall for each quarterly period
14 on or before the last day of the month following the close of each
15 such quarterly period, pay over the amount so withheld as taxes to
16 the Tax Commission, and shall file a return with each such payment.
17 Such return shall be in such form as the Tax Commission shall
18 prescribe. Every payer required under this subsection to deduct and
19 withhold a tax from a payee shall, as to the total amounts paid to
20 each payee during the calendar year, furnish to such payee, on or
21 before January 31, of the succeeding year, a written statement
22 showing the name of the payer, the name of the payee and the payee's
23 social security account number, if any, the total amount paid
24 subject to taxation, and the total amount deducted and withheld as

1 tax and such other information as the Tax Commission may require.
2 Any payer who fails to withhold or pay to the Tax Commission any
3 sums herein required to be withheld or paid shall be personally and
4 individually liable therefor to the State of Oklahoma.

5 D. Corporations. For all taxable years beginning after
6 December 31, 1989, a tax is hereby imposed upon the Oklahoma taxable
7 income of every corporation doing business within this state or
8 deriving income from sources within this state in an amount equal to
9 six percent (6%) thereof.

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

14 E. Certain foreign corporations. In lieu of the tax imposed in
15 the first paragraph of subsection C of this section, for all taxable
16 years beginning after December 31, 1989, there shall be imposed on
17 foreign corporations, as defined in the Internal Revenue Code, a tax
18 of six percent (6%) instead of thirty percent (30%) as used in the
19 Internal Revenue Code, where such income is received from sources
20 within Oklahoma, in accordance with the provisions of the Internal
21 Revenue Code and the Oklahoma Income Tax Act.

22 Every payer of amounts covered by this subsection shall deduct
23 and withhold from such amounts paid each payee an amount equal to
24 six percent (6%) thereof. Every payer required to deduct and

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

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

22 G. Tax rate tables. For all taxable years beginning after
23 December 31, 1991, in lieu of the tax imposed by subsection A or B
24 of this section, as applicable there is hereby imposed for each

1 taxable year on the taxable income of every individual, whose
2 taxable income for such taxable year does not exceed the ceiling
3 amount, a tax determined under tables, applicable to such taxable
4 year which shall be prescribed by the Tax Commission and which shall
5 be in such form as it determines appropriate. In the table so
6 prescribed, the amounts of the tax shall be computed on the basis of
7 the rates prescribed by subsections A and B of this section. For
8 purposes of this subsection, the term "ceiling amount" means, with
9 respect to any taxpayer, the amount determined by the Tax Commission
10 for the tax rate category in which such taxpayer falls.

11 SECTION 3. AMENDATORY 68 O.S. 2011, Section 2357, is
12 amended to read as follows:

13 Section 2357. A. The withheld taxes and estimated taxes paid
14 shall be allowed as credits as provided by law.

15 B. 1. There shall be allowed as a credit against the tax
16 imposed by Section 2355 of this title the amount of tax paid another
17 state by a resident individual, as defined in paragraph 4 of Section
18 2353 of this title, upon income received as compensation for
19 personal services in such other state; provided, such credit shall
20 not be allowed with respect to any income specified in Section 114
21 of Title 4 of the United States Code, 4 U.S.C., Section 114, upon
22 which a state is prohibited from imposing an income tax. The credit
23 shall not exceed such proportion of the tax payable under Section
24 2355 of this title as the compensation for personal services subject

1 to tax in the other state and also taxable under Section 2355 of
2 this title bears to the Oklahoma adjusted gross income as defined in
3 paragraph 13 of Section 2353 of this title.

4 2. For tax years beginning after December 31, 2007, there shall
5 be allowed to a resident individual or part-year resident individual
6 or nonresident individual member of the Armed Forces as a credit
7 against the tax imposed by Section 2355 of this title twenty percent
8 (20%) of the credit for child care expenses allowed under the
9 Internal Revenue Code of the United States or five percent (5%) of
10 the child tax credit allowed under the Internal Revenue Code,
11 whichever amount is greater. Neither credit authorized by this
12 paragraph shall exceed the tax imposed by Section 2355 of this
13 title. The maximum child care credit allowable on the Oklahoma
14 income tax return shall be prorated on the ratio that Oklahoma
15 adjusted gross income bears to the federal adjusted gross income.
16 The credit authorized by this paragraph shall not be claimed by any
17 taxpayer if the federal adjusted gross income reflected on the
18 Oklahoma return for the taxpayer is in excess of One Hundred
19 Thousand Dollars (\$100,000.00) for tax years beginning before
20 January 1, 2013 and for tax years beginning on or after January 1,
21 2013, Fifty Thousand Dollars (\$50,000.00).

22 C. 1. Except as otherwise provided by paragraph 3 of this
23 subsection, every taxpayer who operates a manufacturing
24 establishment in the state shall be allowed a direct credit against

1 income taxes owed by such taxpayer to the state, the amount of which
2 credit shall be proportioned to the amount of gas used or consumed
3 in Oklahoma by such taxpayer in the operation of a manufacturing
4 establishment, at a rate of three (3) mills per thousand (1,000)
5 cubic feet of gas used or consumed after May 1, 1971, and during
6 each taxable year of such taxpayer provided that the credit allowed
7 herein shall not apply to the first twenty-five thousand (25,000)
8 MCF of gas used or gas used to generate electricity or consumed
9 after May 1, 1971, and during each taxable year of such taxpayer.

10 2. As used in this subsection:

11 a. "manufacturing establishment" means a plant or
12 establishment which engages in the business of working
13 raw materials into wares suitable for use or which
14 gives new shapes, new qualities or new combinations to
15 matter which has already gone through some artificial
16 process,

17 b. "gas used or consumed" shall include all natural or
18 casinghead gas used in the operation of the
19 manufacturing establishment for whatever purposes, but
20 shall not include the following:

21 (1) gas which, after being severed from the earth, is
22 subsequently injected into a formation in the
23 state for the purpose of storing, recycling,
24 repressuring or pressure maintenance,

- 1 (2) gas vented or flared directly into the
2 atmosphere,
3 (3) gas used for fuel in connection with the
4 operation and development for or production of
5 oil or gas in the field where produced, and
6 (4) gas, any part of which is resold by the
7 manufacturing establishment, except as to that
8 part and quantity of the gas which is actually
9 used by the establishment and not resold, and

10 c. "one thousand (1,000) cubic feet of gas" (MCF) means
11 that quantity of gas which, measured at a pressure of
12 fifteen and twenty-five thousandths (15.025) pounds
13 per square inch absolute and at a temperature of
14 sixty-nine (69) degrees Fahrenheit, would have the
15 volume of one thousand (1,000) cubic feet.

16 3. No credit otherwise authorized by the provisions of this
17 subsection may be claimed for any event, transaction, investment,
18 expenditure or other act occurring on or after July 1, 2010, ~~for~~
19 ~~which the credit would otherwise be allowable. The provisions of~~
20 ~~this paragraph shall cease to be operative on July 1, 2012.~~
21 ~~Beginning July 1, 2012, the credit authorized by this subsection may~~
22 ~~be claimed for any event, transaction, investment, expenditure or~~
23 ~~other act occurring on or after July 1, 2012, according to the~~
24 ~~provisions of this subsection.~~

1 D. No additions to tax shall be made in Oklahoma income tax
2 returns by reason of the recapture or restoration of credits under
3 the Internal Revenue Code, and no other credits against tax shall be
4 allowed in Oklahoma income tax returns except as follows:

5 1. Those credits provided in this section; and
6 2. ~~Those~~ For tax years beginning before January 1, 2013, those
7 credits authorized by Sections 2-5-101 through 2-5-118 of Title 27A
8 of the Oklahoma Statutes, which have been, or may hereafter be,
9 certified pursuant to applications therefor made on or before March
10 22, 1971. Provided, the total amount of the credits referred to in
11 this subparagraph to be taken by the taxpayer shall not exceed the
12 certified net investment cost of the facilities or processes to
13 which such credits pertain, reduced by the greater of:

14 a. the reduction in federal income tax of taxpayer as the
15 result of deducting depreciation on such facilities or
16 processes, or deducting nondepreciable costs for which
17 credit has been so certified, or

18 b. the increase in the amount of Oklahoma income tax that
19 would result if taxable income were increased by the
20 amount deducted as set forth in subparagraph a of this
21 paragraph.

22 And, provided further, that, after such credits have been exhausted,
23 taxpayer shall each year thereafter adjust taxable income by adding
24 any depreciation taken on such facilities or processes, or any

1 nondepreciable costs having been included in the net investment cost
2 allowed as credit, and which depreciation or costs have been allowed
3 as a deduction in arriving at federal taxable income for such year.

4 SECTION 4. AMENDATORY 68 O.S. 2011, Section 2357.4, is
5 amended to read as follows:

6 Section 2357.4. A. Except as otherwise provided in subsection
7 F of Section 3658 of this title and in subsection J of this section,
8 for taxable years beginning after December 31, 1987, there shall be
9 allowed a credit against the tax imposed by Section 2355 of this
10 title for:

11 1. Investment in qualified depreciable property placed in
12 service during those years for use in a manufacturing operation, as
13 defined in Section 1352 of this title, which has received a
14 manufacturer exemption permit pursuant to the provisions of Section
15 1359.2 of this title or a qualified aircraft maintenance or
16 manufacturing facility as defined in paragraph 14 of Section 1357 of
17 this title in this state or a qualified web search portal as defined
18 paragraph 35 of Section 1357 of this title; or

19 2. A net increase in the number of full-time-equivalent
20 employees engaged in manufacturing, processing or aircraft
21 maintenance in this state including employees engaged in support
22 services.

23 B. Except as otherwise provided in subsection F of Section 3658
24 of this title and in subsection J of this section, for taxable years

1 beginning after December 31, 1998, there shall be allowed a credit
2 against the tax imposed by Section 2355 of this title for:

3 1. Investment in qualified depreciable property with a total
4 cost equal to or greater than Forty Million Dollars (\$40,000,000.00)
5 within three (3) years from the date of initial qualifying
6 expenditure and placed in service in this state during those years
7 for use in the manufacture of products described by any Industry
8 Number contained in Division D of Part I of the Standard Industrial
9 Classification (SIC) Manual, latest revision; or

10 2. A net increase in the number of full-time-equivalent
11 employees in this state engaged in the manufacture of any goods
12 identified by any Industry Number contained in Division D of Part I
13 of the Standard Industrial Classification (SIC) Manual, latest
14 revision, if the total cost of qualified depreciable property placed
15 in service by the business entity within the state equals or exceeds
16 Forty Million Dollars (\$40,000,000.00) within three (3) years from
17 the date of initial qualifying expenditure.

18 C. The business entity may claim the credit authorized by
19 subsection B of this section for expenditures incurred or for a net
20 increase in the number of full-time-equivalent employees after the
21 business entity provides proof satisfactory to the Oklahoma Tax
22 Commission that the conditions imposed pursuant to paragraph 1 or
23 paragraph 2 of subsection B of this section have been satisfied.

24

1 D. If a business entity fails to expend the amount required by
2 paragraph 1 or paragraph 2 of subsection B of this section within
3 the time required, the business entity may not claim the credit
4 authorized by subsection B of this section, but shall be allowed to
5 claim a credit pursuant to subsection A of this section if the
6 requirements of subsection A of this section are met with respect to
7 the investment in qualified depreciable property or net increase in
8 the number of full-time-equivalent employees.

9 E. The credit provided for in subsection A of this section, if
10 based upon investment in qualified depreciable property, shall not
11 be allowed unless the investment in qualified depreciable property
12 is at least Fifty Thousand Dollars (\$50,000.00). The credit
13 provided for in subsection A or B of this section shall not be
14 allowed if the applicable investment is the direct cause of a
15 decrease in the number of full-time-equivalent employees. Qualified
16 property shall be limited to machinery, fixtures, equipment,
17 buildings or substantial improvements thereto, placed in service in
18 this state during the taxable year. The taxable years for which the
19 credit may be allowed if based upon investment in qualified
20 depreciable property shall be measured from the year in which the
21 qualified property is placed in service. If the credit provided for
22 in subsection A or B of this section is calculated on the basis of
23 the cost of the qualified property, the credit shall be allowed in
24 each of the four (4) subsequent years. If the qualified property on

1 which a credit has previously been allowed is acquired from a
2 related party, the date such property is placed in service by the
3 transferor shall be considered to be the date such property is
4 placed in service by the transferee, for purposes of determining the
5 aggregate number of years for which credit may be allowed.

6 F. The credit provided for in subsection A or B of this
7 section, if based upon an increase in the number of full-time-
8 equivalent employees, shall be allowed in each of the four (4)
9 subsequent years only if the level of new employees is maintained in
10 the subsequent year. In calculating the credit by the number of new
11 employees, only those employees whose paid wages or salary were at
12 least Seven Thousand Dollars (\$7,000.00) during each year the credit
13 is claimed shall be included in the calculation. Provided, that the
14 first year a credit is claimed for a new employee, such employee may
15 be included in the calculation notwithstanding paid wages of less
16 than Seven Thousand Dollars (\$7,000.00) if the employee was hired in
17 the last three quarters of the tax year, has wages or salary which
18 will result in annual paid wages in excess of Seven Thousand Dollars
19 (\$7,000.00) and the taxpayer submits an affidavit stating that the
20 employee's position will be retained in the following tax year and
21 will result in the payment of wages in excess of Seven Thousand
22 Dollars (\$7,000.00). The number of new employees shall be
23 determined by comparing the monthly average number of full-time
24 employees subject to Oklahoma income tax withholding for the final

1 quarter of the taxable year with the corresponding period of the
2 prior taxable year, as substantiated by such reports as may be
3 required by the Tax Commission.

4 G. The Except as otherwise provided in this section, the credit
5 allowed by subsection A of this section shall be the greater amount
6 of either:

7 1. One percent (1%) of the cost of the qualified property in
8 the year the property is placed in service; or

9 2. Five Hundred Dollars (\$500.00) for each new employee. No
10 credit shall be allowed in any taxable year for a net increase in
11 the number of full-time-equivalent employees if such increase is a
12 result of an investment in qualified depreciable property for which
13 an income tax credit has been allowed as authorized by this section.

14 H. The credit allowed by subsection B of this section shall be
15 the greater amount of either:

16 1. Two percent (2%) of the cost of the qualified property in
17 the year the property is placed in service; or

18 2. One Thousand Dollars (\$1,000.00) for each new employee.

19 No credit shall be allowed in any taxable year for a net
20 increase in the number of full-time-equivalent employees if such
21 increase is a result of an investment in qualified depreciable
22 property for which an income tax credit has been allowed as
23 authorized by this section.

1 I. Except as provided by subsection G of Section 3658 of this
2 title, any credits allowed but not used in any taxable year may be
3 carried over in order as follows:

4 1. To each of the four (4) years following the year of
5 qualification;

6 2. To the extent not used in those years in order to each of
7 the fifteen (15) years following the initial five-year period; and

8 3. If a C corporation that otherwise qualified for the credits
9 under subsection A of this section subsequently changes its
10 operating status to that of a pass-through entity which is being
11 treated as the same entity for federal tax purposes, the credits
12 will continue to be available as if the pass-through entity had
13 originally qualified for the credits subject to the limitations of
14 this section.

15 To the extent not used in paragraphs 1 and 2 of this subsection,
16 such credits from qualified depreciable property placed in service
17 on or after January 1, 2000, may be utilized in any subsequent tax
18 years after the initial twenty-year period.

19 J. No credit otherwise authorized by the provisions of this
20 section may be claimed for any event, transaction, investment,
21 expenditure or other act occurring on or after July 1, 2010, ~~for~~
22 ~~which the credit would otherwise be allowable until the provisions~~
23 ~~of this subsection shall cease to be operative on July 1, 2012.~~
24 except as provided in this subsection:

1 1. Beginning July 1, 2012, the credit authorized by this
2 section may be claimed for any event, transaction, investment,
3 expenditure or other act occurring on or after July 1, 2010,
4 ~~according to the provisions of this section~~ and through June 30,
5 2012; provided, credits accrued during the period from July 1, 2010,
6 through June 30, 2012, shall be limited to a period of two (2)
7 taxable years. The credit shall be limited in each taxable year to
8 fifty percent (50%) of the total amount of the accrued credit. Any
9 tax credits which accrue during the period of July 1, 2010, through
10 June 30, 2012, may not be claimed for any period prior to the
11 taxable year beginning January 1, 2012. No credits which accrue
12 during the period of July 1, 2010, through June 30, 2012, may be
13 used to file an amended tax return for any taxable year prior to the
14 taxable year beginning January 1, 2012; and

15 2. Any event, transaction, investment, expenditure or other act
16 for which a credit would otherwise be allowed pursuant to this
17 section, which occurs on or after July 1, 2012, shall be limited to
18 eighty percent (80%) of the total amount of accrued credit allowed
19 pursuant to paragraph 2 of subsection G and paragraph 2 of
20 subsection H of this section.

21 SECTION 5. AMENDATORY 68 O.S. 2011, Section 2357.6, is
22 amended to read as follows:

23 Section 2357.6. A. Any person or corporation may contribute
24 monies to the Energy Conservation Assistance Fund. Except as

1 otherwise provided in subsection B of this section, such
2 contributions shall be entitled to an income tax credit against the
3 state personal or corporate income tax liability of fifty percent
4 (50%) of the amount contributed to the fund for the taxable year in
5 which it was made.

6 B. No credit otherwise authorized by the provisions of this
7 section may be claimed for any event, transaction, investment,
8 expenditure or other act occurring on or after July 1, 2010, ~~for~~
9 ~~which the credit would otherwise be allowable. The provisions of~~
10 ~~this subsection shall cease to be operative on July 1, 2012.~~
11 ~~Beginning July 1, 2012, the credit authorized by this section may be~~
12 ~~claimed for any event, transaction, investment, expenditure or other~~
13 ~~act occurring on or after July 1, 2012, according to the provisions~~
14 ~~of this section.~~

15 SECTION 6. AMENDATORY 68 O.S. 2011, Section 2357.11, is
16 amended to read as follows:

17 Section 2357.11. A. For purposes of this section, the term
18 "person" means any legal business entity including limited and
19 general partnerships, corporations, sole proprietorships, and
20 limited liability companies, but does not include individuals.

21 B. 1. Except as provided in subsection M of this section, for
22 tax years beginning on or after January 1, 1993, and ending on or
23 before December 31, 2014, there shall be allowed a credit against
24 the tax imposed by Section 1803 or Section 2355 of this title or

1 Section 624 or 628 of Title 36 of the Oklahoma Statutes for every
2 person in this state furnishing water, heat, light or power to the
3 state or its citizens, or for every person in this state burning
4 coal to generate heat, light or power for use in manufacturing
5 operations located in this state.

6 2. For tax years beginning on or after January 1, 1993, and
7 ending on or before December 31, 2005, and for the period of January
8 1, 2006, through June 30, 2006, the credit shall be in the amount of
9 Two Dollars (\$2.00) per ton for each ton of Oklahoma-mined coal
10 purchased by such person.

11 3. For the period of July 1, 2006 through December 31, 2006,
12 and for tax years beginning on or after January 1, 2007, and ending
13 on or before December 31, 2014, the credit shall be in the amount of
14 Two Dollars and eighty-five cents (\$2.85) per ton for each ton of
15 Oklahoma-mined coal purchased by such person.

16 4. In addition to the credit allowed pursuant to the provisions
17 of paragraph 3 of this subsection, for the period of July 1, 2006,
18 through December 31, 2006, and except as provided in subsection M of
19 this section, for tax years beginning on or after January 1, 2007,
20 and ending on or before December 31, 2014, there shall be allowed a
21 credit in the amount of Two Dollars and fifteen cents (\$2.15) per
22 ton for each ton of Oklahoma-mined coal purchased by such person.
23 The credit allowed pursuant to the provisions of this paragraph may
24 not be claimed or transferred prior to January 1, 2008.

1 C. For tax years beginning on or after January 1, 1995, and
2 ending on or before December 31, 2005, and for the period beginning
3 January 1, 2006, through June 30, 2006, there shall be allowed, in
4 addition to the credits allowed pursuant to subsection B of this
5 section, a credit against the tax imposed by Section 1803 or Section
6 2355 of this title or Section 624 or 628 of Title 36 of the Oklahoma
7 Statutes for every person in this state which:

8 1. Furnishes water, heat, light or power to the state or its
9 citizens, or burns coal to generate heat, light or power for use in
10 manufacturing operations located in this state; and

11 2. Purchases at least seven hundred fifty thousand (750,000)
12 tons of Oklahoma-mined coal in the tax year.

13 The additional credit allowed pursuant to this subsection shall
14 be in the amount of Three Dollars (\$3.00) per ton for each ton of
15 Oklahoma-mined coal purchased by such person.

16 D. Except as otherwise provided in subsection E of this section
17 and in subsection M of this section, for tax years beginning on or
18 after January 1, 2001, there shall be allowed a credit against the
19 tax imposed by Section 1803 or Section 2355 of this title or Section
20 624 or 628 of Title 36 of the Oklahoma Statutes for every person in
21 this state primarily engaged in mining, producing or extracting
22 coal, and holding a valid permit issued by the Oklahoma Department
23 of Mines. For tax years beginning on or after January 1, 2001, and
24 ending on or before December 31, 2005, and for the period beginning

1 January 1, 2006, through June 30, 2006, the credit shall be in the
2 amount of ninety-five cents (\$0.95) per ton and for the period of
3 July 1, 2006, through December 31, 2006, and for tax years beginning
4 on or after January 1, 2007, the credit shall be in the amount of
5 Five Dollars (\$5.00) for each ton of coal mined, produced or
6 extracted in on, under or through a permit in this state by such
7 person.

8 E. In addition to the credit allowed pursuant to the provisions
9 of subsection D of this section and except as otherwise provided in
10 subsection F of this section, for tax years beginning on or after
11 January 1, 2001, and ending on or before December 31, 2005, and for
12 the period of January 1, 2006, through June 30, 2006, there shall be
13 allowed a credit against the tax imposed by Section 1803 or Section
14 2355 of this title or Section 624 or 628 of Title 36 of the Oklahoma
15 Statutes for every person in this state primarily engaged in mining,
16 producing or extracting coal, and holding a valid permit issued by
17 the Oklahoma Department of Mines in the amount of ninety-five cents
18 (\$0.95) per ton for each ton of coal mined, produced or extracted
19 from thin seams in this state by such person; provided, the credit
20 shall not apply to such coal sold to any consumer who purchases at
21 least seven hundred fifty thousand (750,000) tons of Oklahoma-mined
22 coal per year.

23 F. In addition to the credit allowed pursuant to the provisions
24 of subsection D of this section and except as otherwise provided in

1 subsection G of this section, for tax years beginning on or after
2 January 1, 2005, and ending on or before December 31, 2005, and for
3 the period of January 1, 2006, through June 30, 2006, there shall be
4 allowed a credit against the tax imposed by Section 1803 or Section
5 2355 of this title or that portion of the tax imposed by Section 624
6 or 628 of Title 36 of the Oklahoma Statutes, which is actually paid
7 to and placed into the General Revenue Fund, in the amount of
8 ninety-five cents (\$0.95) per ton for each ton of coal mined,
9 produced or extracted from thin seams in this state by such person
10 on or after July 1, 2005.

11 G. The credits provided in subsections D and E of this section
12 shall not be allowed for coal mined, produced or extracted in any
13 month in which the average price of coal is Sixty-eight Dollars
14 (\$68.00) or more per ton, excluding freight charges, as determined
15 by the Tax Commission.

16 H. The additional credits allowed pursuant to subsections B, C,
17 D and E of this section but not used shall be freely transferable
18 after January 1, 2002, and before January 1, 2013, by written
19 agreement to subsequent transferees at any time during the five (5)
20 years following the year of qualification; provided, the additional
21 credits allowed pursuant to the provisions of paragraph 4 of
22 subsection B of this section but not used shall be freely
23 transferable after January 1, 2008, and before January 1, 2013, by
24 written agreement to subsequent transferees at any time during the

1 five (5) years following the year of qualification. An eligible
2 transferee shall be any taxpayer subject to the tax imposed by
3 Section 1803 or Section 2355 of this title or Section 624 or 628 of
4 Title 36 of the Oklahoma Statutes. The person originally allowed
5 the credit and the subsequent transferee shall jointly file a copy
6 of the written credit transfer agreement with the Tax Commission
7 within thirty (30) days of the transfer. The written agreement
8 shall contain the name, address and taxpayer identification number
9 of the parties to the transfer, the amount of credit being
10 transferred, the year the credit was originally allowed to the
11 transferring person and the tax year or years for which the credit
12 may be claimed. The Tax Commission may promulgate rules to permit
13 verification of the validity and timeliness of a tax credit claimed
14 upon a tax return pursuant to this subsection but shall not
15 promulgate any rules which unduly restrict or hinder the transfers
16 of such tax credit. For tax year 2013 and all subsequent tax years,
17 no credit provided pursuant to this section may be allocated by a
18 pass-through entity to a shareholder, partner or member.

19 I. The additional credit allowed pursuant to subsection F of
20 this section but not used shall be freely transferable on or after
21 July 1, 2006, by written agreement to subsequent transferees at any
22 time during the five (5) years following the year of qualification.
23 An eligible transferee shall be any taxpayer subject to the tax
24 imposed by Section 1803 or Section 2355 of this title or Section 624

1 or 628 of Title 36 of the Oklahoma Statutes. The person originally
2 allowed the credit and the subsequent transferee shall jointly file
3 a copy of the written credit transfer agreement with the Tax
4 Commission within thirty (30) days of the transfer. The written
5 agreement shall contain the name, address and taxpayer
6 identification number of the parties to the transfer, the amount of
7 credit being transferred, the year the credit was originally allowed
8 to the transferring person and the tax year or years for which the
9 credit may be claimed. The Tax Commission may promulgate rules to
10 permit verification of the validity and timeliness of a tax credit
11 claimed upon a tax return pursuant to this subsection but shall not
12 promulgate any rules which unduly restrict or hinder the transfers
13 of such tax credit.

14 J. Any person receiving tax credits pursuant to the provisions
15 of this section shall apply the credits against taxes payable or
16 shall transfer the credits as provided in this section. Credits
17 shall not be used to lower the price of any Oklahoma-mined coal sold
18 that is produced by a subsidiary of the person receiving a tax
19 credit under this section to other buyers of the Oklahoma-mined
20 coal.

21 K. The credits allowed by subsections B, C, D, E and F of this
22 section, upon election of the taxpayer, shall be treated and may be
23 claimed as a payment of tax, a prepayment of tax or a payment of
24

1 estimated tax for purposes of Section 1803 or 2355 of this title or
2 Section 624 or 628 of Title 36 of the Oklahoma Statutes.

3 L. Any credits allowed pursuant to the provisions of
4 subsections B, C, D, E and F of this section but not used in any tax
5 year may be carried over in order to each of the five (5) years
6 following the year of qualification.

7 M. No credit otherwise authorized by the provisions of this
8 section may be claimed for any event, transaction, investment,
9 expenditure or other act occurring on or after July 1, 2010, ~~for~~
10 ~~which the credit would otherwise be allowable. The provisions of~~
11 ~~this subsection shall cease to be operative on July 1, 2012.~~
12 ~~Beginning July 1, 2012, the credit authorized by this section may be~~
13 ~~claimed for any event, transaction, investment, expenditure or other~~
14 ~~act occurring on or after July 1, 2012, according to the provisions~~
15 ~~of this section~~ except as provided in this subsection. Beginning
16 July 1, 2012, credit authorized by this section shall be refundable
17 and shall be allowed at eighty percent (80%) of the amount otherwise
18 allowed pursuant to this section.

19 SECTION 7. AMENDATORY 68 O.S. 2011, Section 2357.26, is
20 amended to read as follows:

21 Section 2357.26. A. Except as otherwise provided by subsection
22 G of this section, for tax years beginning after December 31, 2001,
23 there shall be allowed a credit against the tax imposed by Section
24

1 2355 of this title for employers incurring eligible expenses in
2 connection with the provision of child care services.

3 B. As used in this section:

4 1. "Eligible expenses" means amounts paid for:

5 a. the purchase of qualifying child care services that
6 are actually provided to children of employees, at a
7 program licensed by the Department of Human Services
8 with a rating of two stars or higher pursuant to rules
9 promulgated by the Department, at a:

10 (1) child care center, or

11 (2) family child care home,

12 b. planning, preparing a site and constructing a child
13 care center,

14 c. renovating or remodeling a structure to be used for a
15 child care center,

16 d. purchasing equipment necessary for use by a child care
17 center,

18 e. expanding a child care center,

19 f. maintaining and operating a child care center,
20 including paying direct administrative and staff
21 costs,

22 g. purchasing child care slots actually provided or
23 reserved for children of employees, or
24

1 h. fees and grants provided to child care resource and
2 referral organizations doing business within this
3 state; and

4 2. "Employer" means a taxpayer who employs one or more full-
5 time-equivalent employees and whose primary source of income is from
6 a business other than the business of providing child care services.

7 C. In lieu of a deduction from taxable income, the credit
8 allowed by subsection A of this section shall be twenty percent
9 (20%) of the amount of eligible expenses.

10 D. The amount of eligible expenses upon which the credit will
11 be based in any taxable year shall be limited to:

12 1. Three Thousand One Hundred Dollars (\$3,100.00) for expenses
13 described in subparagraph a of paragraph 1 of subsection B of this
14 section for each child of an employee receiving qualifying child
15 care services;

16 2. Fifty Thousand Dollars (\$50,000.00) for expenses described
17 in subparagraphs b through g of paragraph 1 of subsection B of this
18 section; and

19 3. Five Thousand Dollars (\$5,000.00) for expenses described in
20 subparagraph h of paragraph 1 of subsection B of this section.

21 E. Any credits allowed but not used in any tax year may be
22 carried over in order to each of the four (4) tax years following
23 the year of qualification.

1 F. The Oklahoma Tax Commission, on or before January 31 of each
2 year, shall submit a report regarding the credit authorized by this
3 section to both houses of the Oklahoma Legislature. Such report
4 shall summarize the total amount of credits claimed and likely to be
5 claimed and allowed under this section.

6 G. No credit otherwise authorized by the provisions of this
7 section may be claimed for any event, transaction, investment,
8 expenditure or other act occurring on or after July 1, 2010, ~~for~~
9 ~~which the credit would otherwise be allowable. The provisions of~~
10 ~~this subsection shall cease to be operative on July 1, 2012.~~
11 ~~Beginning July 1, 2012, the credit authorized by this section may be~~
12 ~~claimed for any event, transaction, investment, expenditure or other~~
13 ~~act occurring on or after July 1, 2012, according to the provisions~~
14 ~~of this section.~~

15 SECTION 8. AMENDATORY 68 O.S. 2011, Section 2357.27, is
16 amended to read as follows:

17 Section 2357.27. A. Except as otherwise provided by subsection
18 E of this section, for tax years beginning after December 31, 1998
19 there shall be allowed a credit against the tax imposed by Section
20 2355 of this title for eligible expenses incurred by entities
21 primarily engaged in the business of providing child care services.

22 B. As used in this section, "eligible expenses" means amounts
23 paid by an entity primarily engaged in the business of providing
24 child care services for expenses incurred by the entity to comply

1 with the standards promulgated by a national accrediting association
2 recognized by the Department of Human Services and which would not
3 have been incurred by the entity to comply with the Oklahoma Child
4 Care Facilities Licensing Act.

5 C. The credit allowed by subsection A of this section shall be
6 twenty percent (20%) of the amount of eligible expenses. Such
7 credit shall not be allowed for any amounts for which the entity
8 claims or receives an income tax credit, exemption or deduction.

9 D. Any credits allowed but not used in any tax year may be
10 carried over in order to each of the four (4) tax years following
11 the year of qualification.

12 E. No credit otherwise authorized by the provisions of this
13 section may be claimed for any event, transaction, investment,
14 expenditure or other act occurring on or after July 1, 2010, ~~for~~
15 ~~which the credit would otherwise be allowable. The provisions of~~
16 ~~this subsection shall cease to be operative on July 1, 2012.~~
17 ~~Beginning July 1, 2012, the credit authorized by this section may be~~
18 ~~claimed for any event, transaction, investment, expenditure or other~~
19 ~~act occurring on or after July 1, 2012, according to the provisions~~
20 ~~of this section.~~

21 SECTION 9. AMENDATORY 68 O.S. 2011, Section 2357.30, is
22 amended to read as follows:

23 Section 2357.30. A. As used in this section, "small business"
24 means any corporation, partnership, sole proprietorship or other

1 business entity qualifying as "small" under the standards contained
2 in Section 121 of Title 13 of the Code of Federal Regulations (13
3 C.F.R., Section 121).

4 B. Except as otherwise provided in subsection E of this
5 section, for taxable years beginning after December 31, 1998, every
6 small business operating within this state shall be entitled to
7 claim as a credit against the tax imposed by Section 2355 of ~~Title~~
8 ~~68 of the Oklahoma Statutes~~ this title, subject to the limitations
9 provided by subsection C of this section, any amount paid to the
10 U.S. Small Business Administration as a guaranty fee pursuant to the
11 obtaining of financing guaranteed by the Small Business
12 Administration.

13 C. The credit authorized by this section shall only be claimed
14 against the tax liability resulting from income generated by the
15 small business. If an income tax return upon which this credit is
16 claimed includes taxable income from sources other than the small
17 business, the credit shall only be allowed to be claimed upon a
18 percentage of the income tax liability which does not exceed the
19 percentage of income generated by the small business as compared to
20 the total Oklahoma adjusted gross income shown on the return. The
21 Oklahoma Tax Commission shall promulgate rules and prescribe forms
22 to implement the provisions of this section.

23 D. If the credit authorized by this section exceeds the amount
24 of income taxes due or if there are no state income taxes due on the

1 income of the taxpayer as computed pursuant to the provisions of
2 subsection C of this section, the amount of the credit not used may
3 be carried forward as a credit against subsequent income tax
4 liability for a period not to exceed five (5) years. The credit
5 shall be claimable only by the small business which is the primary
6 obligor in the financing transaction and which actually paid the
7 guaranty fee.

8 E. No credit otherwise authorized by the provisions of this
9 section may be claimed for any event, transaction, investment,
10 expenditure or other act occurring on or after July 1, 2010, ~~for~~
11 ~~which the credit would otherwise be allowable. The provisions of~~
12 ~~this subsection shall cease to be operative on July 1, 2012.~~
13 ~~Beginning July 1, 2012, the credit authorized by this section may be~~
14 ~~claimed for any event, transaction, investment, expenditure or other~~
15 ~~act occurring on or after July 1, 2012, according to the provisions~~
16 ~~of this section.~~

17 SECTION 10. AMENDATORY 68 O.S. 2011, Section 2357.22, is
18 amended to read as follows:

19 Section 2357.22. A. For tax years beginning before January 1,
20 2015, there shall be allowed a one-time credit against the income
21 tax imposed by Section 2355 of this title

22 1. For investments in qualified clean-burning motor vehicle
23 fuel property placed in service after December 31, 1990; and
24

1 2. For investments in qualified electric motor vehicle property
2 placed in service after December 31, 1995, and before July 1, 2010.

3 B. As used in this section, "qualified clean-burning motor
4 vehicle fuel property" means:

5 1. Equipment installed to modify a motor vehicle which is
6 propelled by gasoline or diesel fuel so that the vehicle may be
7 propelled by a hydrogen fuel cell, compressed natural gas, liquefied
8 natural gas or liquefied petroleum gas; provided, equipment
9 installed on a vehicle propelled by a hydrogen fuel cell shall only
10 be eligible for tax year 2010. The equipment covered by this
11 paragraph must be new and must not have been previously used to
12 modify or retrofit any vehicle propelled by gasoline or diesel fuel;

13 2. A motor vehicle originally equipped so that the vehicle may
14 be propelled by a hydrogen fuel cell, compressed natural gas,
15 liquefied natural gas or liquefied petroleum gas but only to the
16 extent of the portion of the basis of such motor vehicle which is
17 attributable to the storage of such fuel, the delivery to the engine
18 of such motor vehicle of such fuel, and the exhaust of gases from
19 combustion of such fuel. A motor vehicle originally equipped so
20 that the vehicle may be propelled by a hydrogen fuel cell shall only
21 be eligible for tax year 2010;

22 3. Property, not including a building and its structural
23 components, which is:
24

1 a. directly related to the delivery of compressed natural
2 gas, liquefied natural gas or liquefied petroleum gas,
3 or hydrogen, for commercial purposes or for a fee or
4 charge, into the fuel tank of a motor vehicle
5 propelled by such fuel including compression equipment
6 and storage tanks for such fuel at the point where
7 such fuel is so delivered but only if such property is
8 not used to deliver such fuel into any other type of
9 storage tank or receptacle and such fuel is not used
10 for any purpose other than to propel a motor vehicle,
11 or

12 b. a metered-for-fee, public access recharging system for
13 motor vehicles propelled in whole or in part by
14 electricity. The property covered by this paragraph
15 must be new, and must not have been previously
16 installed or used to refuel vehicles powered by
17 compressed natural gas, liquefied natural gas or
18 liquefied petroleum gas, hydrogen or electricity.

19 Any property covered by this paragraph which is related to the
20 delivery of hydrogen into the fuel tank of a motor vehicle shall
21 only be eligible for tax year 2010; or

22 4. Property which is directly related to the compression and
23 delivery of natural gas from a private home or residence, for
24 noncommercial purposes, into the fuel tank of a motor vehicle

1 propelled by compressed natural gas. The property covered by this
2 paragraph must be new and must not have been previously installed or
3 used to refuel vehicles powered by natural gas.

4 C. As used in this section, "qualified electric motor vehicle
5 property" means a motor vehicle originally equipped to be propelled
6 only by electricity; provided, if a motor vehicle is also equipped
7 with an internal combustion engine, then such vehicle shall be
8 considered "qualified electric motor vehicle property" only to the
9 extent of the portion of the basis of such motor vehicle which is
10 attributable to the propulsion of the vehicle by electricity. The
11 term "qualified electric motor vehicle property" shall not apply to
12 vehicles known as "golf carts", "go-carts" and other motor vehicles
13 which are manufactured principally for use off the streets and
14 highways.

15 D. As used in this section, "motor vehicle" means a motor
16 vehicle originally designed by the manufacturer to operate lawfully
17 and principally on streets and highways.

18 E. ~~The~~ Except as provided in subsection J of this section, the
19 credit provided for in subsection A of this section shall be as
20 follows:

21 1. For the qualified clean-burning motor vehicle fuel property
22 defined in paragraph 1 or 2 of subsection B of this section and for
23 the qualified electric motor vehicle property, fifty percent (50%)
24

1 of the cost of the qualified clean-burning motor vehicle fuel
2 property or qualified electric motor vehicle property;

3 2. For qualified clean-burning motor vehicle fuel property
4 defined in paragraph 3 of subsection B of this section, a per-
5 location credit of seventy-five percent (75%) of the cost of the
6 qualified clean-burning motor vehicle fuel property; and

7 3. For qualified clean-burning motor vehicle fuel property
8 defined in paragraph 4 of subsection B of this section, a per-
9 location credit of the lesser of fifty percent (50%) of the cost of
10 the qualified clean-burning motor vehicle fuel property or Two
11 Thousand Five Hundred Dollars (\$2,500.00).

12 F. In cases where no credit has been claimed pursuant to
13 paragraph 1 of subsection E of this section by any prior owner and
14 in which a motor vehicle is purchased by a taxpayer with qualified
15 clean-burning motor vehicle fuel property or qualified electric
16 motor vehicle property installed by the manufacturer of such motor
17 vehicle and the taxpayer is unable or elects not to determine the
18 exact basis which is attributable to such property, the taxpayer may
19 claim a credit in an amount not exceeding the lesser of ten percent
20 (10%) of the cost of the motor vehicle or One Thousand Five Hundred
21 Dollars (\$1,500.00).

22 G. If the tax credit allowed pursuant to subsection A of this
23 section exceeds the amount of income taxes due or if there are no
24 state income taxes due on the income of the taxpayer, the amount of

1 the credit not used as an offset against the income taxes of a
2 taxable year may be carried forward as a credit against subsequent
3 income tax liability for a period not to exceed five (5) years.

4 H. A husband and wife who file separate returns for a taxable
5 year in which they could have filed a joint return may each claim
6 only one-half (1/2) of the tax credit that would have been allowed
7 for a joint return.

8 I. The Oklahoma Tax Commission is herein empowered to
9 promulgate rules by which the purpose of this section shall be
10 administered, including the power to establish and enforce penalties
11 for violations thereof.

12 J. For tax years beginning on or after January 1, 2013, the
13 amount of credit provided pursuant to this section shall be limited
14 to eighty percent (80%) of the total amount of accrued credit.

15 SECTION 11. AMENDATORY 68 O.S. 2011, Section 2357.32A,
16 is amended to read as follows:

17 Section 2357.32A. A. Except as otherwise provided in
18 subsection H of this section, for tax years beginning on or after
19 January 1, 2003, there shall be allowed a credit against the tax
20 imposed by Section 2355 of this title to a taxpayer for the
21 taxpayer's production and sale to an unrelated person of electricity
22 generated by zero-emission facilities located in this state. As
23 used in this section:

24

1 1. "Electricity generated by zero-emission facilities" means
2 electricity that is exclusively produced by any facility located in
3 this state with a rated production capacity of one megawatt (1 mw)
4 or greater, constructed for the generation of electricity and placed
5 in operation after June 4, 2001, which utilizes eligible renewable
6 resources as its fuel source. The construction and operation of
7 such facilities shall result in no pollution or emissions that are
8 or may be harmful to the environment, pursuant to a determination by
9 the Department of Environmental Quality; and

10 2. "Eligible renewable resources" means resources derived from:
11 a. wind,
12 b. moving water,
13 c. sun, or
14 d. geothermal energy.

15 B. For facilities placed in operation on or after January 1,
16 2003, and before January 1, 2007, the electricity generated on or
17 after January 1, 2003, but prior to January 1, 2004, the amount of
18 the credit shall be seventy-five one hundredths of one cent
19 (\$0.0075) for each kilowatt-hour of electricity generated by zero-
20 emission facilities. For electricity generated on or after January
21 1, 2004, but prior to January 1, 2007, the amount of the credit
22 shall be fifty one hundredths of one cent (\$0.0050) per kilowatt-
23 hour for electricity generated by zero-emission facilities. For
24 electricity generated on or after January 1, 2007, but prior to

1 January 1, 2012, the amount of the credit shall be twenty-five one
2 hundredths of one cent (\$0.0025) per kilowatt-hour of electricity
3 generated by zero-emission facilities. For facilities placed in
4 operation on or after January 1, 2007, and before January 1, 2016,
5 for the electricity generated by these facilities the amount of the
6 credit shall be fifty one hundredths of one cent (\$0.0050) for each
7 kilowatt-hour of electricity generated by zero-emission facilities.

8 C. Credits may be claimed with respect to electricity generated
9 on or after January 1, 2003, during a ten-year period following the
10 date that the facility is placed in operation on or after June 4,
11 2001.

12 D. If the credit allowed pursuant to this section exceeds the
13 amount of income taxes due or if there are no state income taxes due
14 on the income of the taxpayer, the amount of the credit allowed but
15 not used in any tax year may be carried forward as a credit against
16 subsequent income tax liability for a period not exceeding ten (10)
17 years.

18 E. Any nontaxable entities, including agencies of the State of
19 Oklahoma or political subdivisions thereof, shall be eligible to
20 establish a transferable tax credit in the amount provided in
21 subsection B of this section. Such tax credit shall be a property
22 right available to a state agency or political subdivision of this
23 state to transfer or sell to a taxable entity, whether individual or
24 corporate, who shall have an actual or anticipated income tax

1 liability under Section 2355 of this title. These tax credit
2 provisions are authorized as an incentive to the State of Oklahoma,
3 its agencies and political subdivisions to encourage the expenditure
4 of funds in the development, construction and utilization of
5 electricity from zero-emission facilities as defined in subsection A
6 of this section.

7 F. ~~The~~ Before January 1, 2013, the amount of the credit
8 allowed, but not used, shall be freely transferable at any time
9 during the ten (10) years following the year of qualification. Any
10 person to whom or to which a tax credit is transferred shall have
11 only such rights to claim and use the credit under the terms that
12 would have applied to the entity by whom or by which the tax credit
13 was transferred. The provisions of this subsection shall not limit
14 the ability of a tax credit transferee to reduce the tax liability
15 of the transferee, regardless of the actual tax liability of the tax
16 credit transferor, for the relevant taxable period. The transferor
17 initially allowed the credit and any subsequent transferees shall
18 jointly file a copy of any written transfer agreement with the
19 Oklahoma Tax Commission within thirty (30) days of the transfer.
20 The written agreement shall contain the name, address and taxpayer
21 identification number or social security number of the parties to
22 the transfer, the amount of the credit being transferred, the year
23 the credit was originally allowed to the transferor, and the tax
24 year or years for which the credit may be claimed. The Tax

1 Commission may promulgate rules to permit verification of the
2 validity and timeliness of the tax credit claimed upon a tax return
3 pursuant to this subsection but shall not promulgate any rules that
4 unduly restrict or hinder the transfers of such tax credit. The tax
5 credit allowed by this section, upon the election of the taxpayer,
6 may be claimed as a payment of tax, a prepayment of tax or a payment
7 of estimated tax for purposes of Section 1803 or Section 2355 of
8 this title. For tax year 2013 and all subsequent tax years, no
9 credit provided pursuant to this section may be allocated by a pass-
10 through entity to a shareholder, partner or member.

11 G. For electricity generation produced and sold in a calendar
12 year, the tax credit allowed by the provisions of this section, upon
13 election of the taxpayer, shall be treated and may be claimed as a
14 payment of tax, a prepayment of tax or a payment of estimated tax
15 for purposes of Section 2355 of this title on or after July 1 of the
16 following calendar year.

17 H. ~~No credit~~ Credit otherwise authorized by the provisions of
18 this section ~~may be claimed~~ for any event, transaction, investment,
19 expenditure or other act occurring ~~on or after July 1, 2010, for~~
20 ~~which the credit would otherwise be allowable until the provisions~~
21 ~~of this subsection shall cease to be operative on July 1, 2011.~~
22 during specified time periods may be claimed as follows:

23 1. Beginning July 1, 2011, the credit authorized by this
24 section may be claimed for any event, transaction, investment,

1 expenditure or other act occurring on or after July 1, 2010,
2 according to the provisions of this section-;

3 2. Any tax credits which accrue during the period of July 1,
4 2010, through June 30, 2011, may not be claimed for any period prior
5 to the taxable year beginning January 1, 2012. No credits which
6 accrue during the period of July 1, 2010, through June 30, 2011, may
7 be used to file an amended tax return for any taxable year prior to
8 the taxable year beginning January 1, 2012;

9 3. Any event, transaction, investment, expenditure or other act
10 for which a credit would otherwise be allowed pursuant to this
11 section, which occurs on or after July 1, 2012, and before January
12 1, 2014, shall be limited to eighty percent (80%) of the total
13 amount of accrued credit; and

14 4. Credit otherwise authorized by the provisions of this
15 section shall be refundable on or after January 1, 2013.

16 SECTION 12. AMENDATORY 68 O.S. 2011, Section 2357.32B,
17 is amended to read as follows:

18 Section 2357.32B. A. Except as otherwise provided by
19 subsection G of this section, for tax years beginning on or after
20 January 1, 2003, and ending on or before December 31, 2012, there
21 shall be allowed a credit against the tax imposed by Section 624 or
22 628 of Title 36 of the Oklahoma Statutes, and actually paid to and
23 placed into the General Revenue Fund, or Section 2370 or 2355 of
24

1 this title to Oklahoma manufacturers of advanced small wind
2 turbines. As used in this section:

3 1. "Oklahoma manufacturers" means manufacturers who operate
4 facilities located in this state which have the capability to
5 manufacture small wind turbine products, including rotor blade and
6 alternator fabrication; and

7 2. "Advanced small wind turbines" means upwind, furling wind
8 turbines that meet the following requirements:

- 9 a. have a rated capacity of at least one kilowatt (1 kw)
10 but not greater than fifty kilowatts (50 kw),
- 11 b. incorporate advanced technologies such as new
12 airfoils, new generators, and new power electronics,
13 variable speed,
- 14 c. at least one unit of each model has undergone testing
15 at the US-DOE National Wind Technology Center, and
- 16 d. comply with appropriate interconnection safety
17 standards of the Institute of Electrical and
18 Electronics Engineers applicable to small wind
19 turbines.

20 B. The amount of the credit shall be based on the square
21 footage of rotor swept area of advanced small wind turbines
22 manufactured in this state. The amount of the credit shall be
23 Twenty-five Dollars (\$25.00) per square foot produced in calendar
24 year 2003, Twelve Dollars and fifty cents (\$12.50) per square foot

1 produced in calendar year 2004, and Twenty-five Dollars (\$25.00) per
2 square foot produced in calendar years 2005 through 2012.

3 C. The companies claiming the credit allowed by this section
4 shall agree in advance to allow their production and claims to be
5 audited by the Oklahoma Tax Commission and they must be able to show
6 that they have made economic development investments in this state
7 over the period of time for which the credit was claimed that exceed
8 the net proceeds from the amount of credit claimed.

9 D. If the amount of the credits allowed pursuant to this
10 section exceeds the amount of income taxes due or if there are no
11 state income taxes due on the income of the taxpayer, the amount of
12 the credit allowed but not used in any taxable year may be carried
13 forward as a credit against subsequent income tax liability for a
14 period not exceeding ten (10) years.

15 E. The Before January 1, 2013, the amount of the credit allowed
16 but not used shall be freely transferable at any time during the ten
17 (10) years following the year of qualification. Any person to whom
18 or to which a tax credit is transferred shall have only such rights
19 to claim and use the credit under the terms that would have applied
20 to the entity by whom or by which the tax credit was transferred.
21 The provisions of this subsection shall not limit the ability of a
22 tax credit transferee to reduce the tax liability of the transferee
23 regardless of the actual tax liability of the tax credit transferor
24 for the relevant taxable period. The transferor originally allowed

1 the credit and the subsequent transferee shall jointly file a copy
2 of the written credit transfer agreement with the Tax Commission
3 within thirty (30) days of the transfer. The written agreement
4 shall contain the name, address and taxpayer identification number
5 of the parties to the transfer, the amount of the credit being
6 transferred, the year the credit was originally allowed to the
7 transferor and the tax year or years for which the credit may be
8 claimed. The Tax Commission may promulgate rules to permit
9 verification of the validity and timeliness of a tax credit claimed
10 upon a tax return pursuant to this subsection but shall not
11 promulgate any rules that unduly restrict or hinder the transfers of
12 such tax credit. For tax year 2013 and all subsequent tax years, no
13 credit provided pursuant to this section may be allocated by a pass-
14 through entity to a shareholder, partner or member.

15 F. For advanced small wind turbines produced in a calendar
16 year, the tax credit allowed by the provisions of this section, upon
17 election of the taxpayer, shall be treated and may be claimed as a
18 payment of tax, a prepayment of tax or a payment of estimated tax
19 for purposes of Section 624 or 628 of Title 36 of the Oklahoma
20 Statutes, and actually paid to and placed into the General Revenue
21 Fund, or Section 2370 or 2355 of this title on or after July 1 of
22 the following calendar year.

23 G. No credit otherwise authorized by the provisions of this
24 section may be claimed for any event, transaction, investment,

1 expenditure or other act occurring on or after July 1, 2010, ~~for~~
2 ~~which the credit would otherwise be allowable. The provisions of~~
3 ~~this subsection shall cease to be operative on July 1, 2012.~~
4 ~~Beginning July 1, 2012, the credit authorized by this section may be~~
5 ~~claimed for any event, transaction, investment, expenditure or other~~
6 ~~act occurring on or after July 1, 2012, according to the provisions~~
7 ~~of this section.~~

8 SECTION 13. AMENDATORY 68 O.S. 2011, Section 2357.33, is
9 amended to read as follows:

10 Section 2357.33. A. Except as otherwise provided by subsection
11 E of this section, for taxable years beginning after December 31,
12 1999, there shall be allowed a credit against the tax imposed by
13 Section 2355 of this title for amounts paid by a taxpayer operating
14 one or more food service establishments for immunizations against
15 Hepatitis A for employees of the taxpayer who work in such
16 establishments.

17 B. As used in this section, "food service establishment" means
18 an establishment where food or drink is offered for sale or sold to
19 the public and which is licensed pursuant to the provisions of
20 Section 1-1118 of Title 63 of the Oklahoma Statutes.

21 C. The amount of the credit allowed pursuant to the provisions
22 of this section for each employee of the taxpayer shall not exceed
23 the usual and customary fee that would be allowed for an
24

1 immunization against Hepatitis A as approved by the State and
2 Education Employees Group Insurance Board.

3 D. The credit provided by this section shall be available to
4 the taxpayer in the tax year in which an employee was immunized and
5 shall not carry forward to subsequent tax years. Such credit shall
6 not be refunded to the taxpayer.

7 E. No credit otherwise authorized by the provisions of this
8 section may be claimed for any event, transaction, investment,
9 expenditure or other act occurring on or after July 1, 2010, ~~for~~
10 ~~which the credit would otherwise be allowable. The provisions of~~
11 ~~this subsection shall cease to be operative on July 1, 2012.~~
12 ~~Beginning July 1, 2012, the credit authorized by this section may be~~
13 ~~claimed for any event, transaction, investment, expenditure or other~~
14 ~~act occurring on or after July 1, 2012, according to the provisions~~
15 ~~of this section.~~

16 SECTION 14. AMENDATORY 68 O.S. 2011, Section 2357.41, is
17 amended to read as follows:

18 Section 2357.41. A. Except as otherwise provided by subsection
19 I of this section, for tax years beginning after December 31, 2000,
20 there shall be allowed a credit against the tax imposed by Sections
21 2355 and 2370 of this title or that portion of the tax imposed by
22 Section 624 or 628 of Title 36 of the Oklahoma Statutes that would
23 otherwise have been apportioned to the General Revenue Fund for
24 qualified rehabilitation expenditures incurred in connection with

1 any certified historic hotel or historic newspaper plant building
2 located in an increment or incentive district created pursuant to
3 the Local Development Act or for qualified rehabilitation
4 expenditures incurred after January 1, 2006, in connection with any
5 certified historic structure.

6 B. The amount of the credit shall be one hundred percent (100%)
7 of the federal rehabilitation credit provided for in Section 47 of
8 Title 26 of the United States Code. The credit authorized by this
9 section may be claimed at any time after the relevant local
10 governmental body responsible for doing so issues a certificate of
11 occupancy or other document that is a precondition for the
12 applicable use of the building or structure that is the basis upon
13 which the credit authorized by this section is claimed.

14 C. All requirements with respect to qualification for the
15 credit authorized by Section 47 of Title 26 of the United States
16 Code shall be applicable to the credit authorized by this section.

17 D. If the credit allowed pursuant to this section exceeds the
18 amount of income taxes due or if there are no state income taxes due
19 on the income of the taxpayer, the amount of the credit allowed but
20 not used in any taxable year may be carried forward as a credit
21 against subsequent income tax liability for a period not exceeding
22 ten (10) years following the qualified expenditures.

23 E. All rehabilitation work to which the credit may be applied
24 shall be reviewed by the State Historic Preservation Office which

1 will in turn forward the information to the National Park Service
2 for certification in accordance with 36 C.F.R., Part 67. A
3 certified historic structure may be rehabilitated for any lawful use
4 or uses, including without limitation mixed uses and still retain
5 eligibility for the credit provided for in this section.

6 F. The Before January 1, 2013, the amount of the credit allowed
7 for any credit claimed for a certified historic hotel or historic
8 newspaper plant building or any certified historic structure, but
9 not used, shall be freely transferable, in whole or in part, to
10 subsequent transferees at any time during the five (5) years
11 following the year of qualification. Any person to whom or to which
12 a tax credit is transferred shall have only such rights to claim and
13 use the credit under the terms that would have applied to the entity
14 by whom or by which the tax credit was transferred. The provisions
15 of this subsection shall not limit the ability of a tax credit
16 transferee to reduce the tax liability of the transferee regardless
17 of the actual tax liability of the tax credit transferor for the
18 relevant taxable period. The transferor of the credit and the
19 transferee shall jointly file a copy of the written credit transfer
20 agreement with the Oklahoma Tax Commission within thirty (30) days
21 of the transfer. Such filing of the written credit transfer
22 agreement with the Oklahoma Tax Commission shall perfect such
23 transfer. The written agreement shall contain the name, address and
24 taxpayer identification number of the parties to the transfer, the

1 amount of credit being transferred, the year the credit was
2 originally allowed to the transferor, the tax year or years for
3 which the credit may be claimed, and a representation by the
4 transferor that the transferor has neither claimed for its own
5 behalf nor conveyed such credits to any other transferee. The Tax
6 Commission shall develop a standard form for use by subsequent
7 transferees of the credit demonstrating eligibility for the
8 transferee to reduce its applicable tax liabilities resulting from
9 ownership of the credit. The Tax Commission shall develop a system
10 to record and track the transfers of the credit and certify the
11 ownership of the credit and may promulgate rules to permit
12 verification of the validity and timeliness of a tax credit claimed
13 upon a tax return pursuant to this subsection but shall not
14 promulgate any rules which unduly restrict or hinder the transfers
15 of such tax credit. For tax year 2013 and all subsequent tax years,
16 no credit provided pursuant to this section may be allocated by a
17 pass-through entity to a shareholder, partner or member.

18 G. Notwithstanding any other provisions in this section, on or
19 after January 1, 2009, if a credit allowed pursuant to this section
20 which has been transferred is subsequently reduced as the result of
21 an adjustment by the Internal Revenue Service, Tax Commission, or
22 any other applicable government agency, only the transferor
23 originally allowed the credit and not any subsequent transferee of
24

1 the credit, shall be held liable to repay any amount of disallowed
2 credit.

3 H. As used in this section:

4 1. "Certified historic hotel or historic newspaper plant
5 building" means a hotel or newspaper plant building that is listed
6 on the National Register of Historic Places within thirty (30)
7 months of taking the credit pursuant to this section.

8 2. "Certified historic structure" means a building that is
9 listed on the National Register of Historic Places within thirty
10 (30) months of taking the credit pursuant to this section or a
11 building located in Oklahoma which is certified by the State
12 Historic Preservation Office as contributing to the historic
13 significance of a certified historic district listed on the National
14 Register of Historic Places, or a local district that has been
15 certified by the State Historic Preservation Office as eligible for
16 listing in the National Register of Historic Places; and

17 3. "Qualified rehabilitation expenditures" means capital
18 expenditures that qualify for the federal rehabilitation credit
19 provided in Section 47 of Title 26 of the United States Code and
20 that were paid after December 31, 2000. Qualified rehabilitation
21 expenditures do not include capital expenditures for nonhistoric
22 additions except an addition that is required by state or federal
23 regulations that relate to safety or accessibility. In addition,
24

1 qualified rehabilitation expenditures do not include expenditures
2 related to the cost of acquisition of the property.

3 I. No credit otherwise authorized by the provisions of this
4 section may be claimed for any event, transaction, investment,
5 expenditure or other act occurring on or after July 1, 2010, ~~for~~
6 ~~which the credit would otherwise be allowable until the provisions~~
7 ~~of this subsection shall cease to be operative on July 1, 2012.~~
8 ~~Beginning July 1, 2012, the credit authorized by this section may be~~
9 ~~claimed for any event, transaction, investment, expenditure or other~~
10 ~~act occurring on or after July 1, 2010, according to the provisions~~
11 ~~of this section.~~ except as follows:

12 1. Any tax credits which accrue during the period of July 1,
13 2010, through June 30, 2012, may not be claimed for any period prior
14 to the taxable year beginning January 1, 2012. No credits which
15 accrue during the period of July 1, 2010, through June 30, 2012, may
16 be used to file an amended tax return for any taxable year prior to
17 the taxable year beginning January 1, 2012; and

18 2. Any event, transaction, investment, expenditure or other act
19 occurring on or after July 1, 2012, shall be limited to eighty
20 percent (80%) of the total amount of accrued credit; and

21 3. Credit otherwise authorized by the provisions of this
22 section for any event, transaction, investment, expenditure or other
23 act occurring on or after January 1, 2013, shall be refundable.

24

1 SECTION 15. AMENDATORY 68 O.S. 2011, Section 2357.43, is
2 amended to read as follows:

3 Section 2357.43. For tax years beginning after December 31,
4 2001, and ending before January 1, 2013, there shall be allowed to a
5 resident individual or a part-year resident individual ~~as~~ a credit
6 against the tax imposed by Section 2355 of this title five percent
7 (5%) of the earned income tax credit allowed under Section 32 of the
8 Internal Revenue Code of the United States, 26 U.S.C., Section 32.
9 However, this credit shall not be paid in advance pursuant to the
10 provisions of Section 3507 of the Internal Revenue Code. If the
11 credit exceeds the tax imposed by Section 2355 of this title, the
12 excess amount shall be refunded to the taxpayer. The maximum earned
13 income tax credit allowable on the Oklahoma income tax return shall
14 be prorated on the ratio that Oklahoma adjusted gross income bears
15 to the federal adjusted gross income.

16 SECTION 16. AMENDATORY 68 O.S. 2011, Section 2357.45, is
17 amended to read as follows:

18 Section 2357.45. A. 1. For tax years beginning after December
19 31, 2004, and ending before January 1, 2014, there shall be allowed
20 against the tax imposed by Section 2355 of this title, a credit for
21 any taxpayer who makes a donation to an independent biomedical
22 research institute and for tax years beginning after December 31,
23 2010, and ending before January 1, 2014, a credit for any taxpayer
24 who makes a donation to a cancer research institute.

1 2. The credit authorized by paragraph 1 of this subsection
2 shall be limited as follows:

3 a. for calendar year 2007 and all subsequent years, the
4 credit percentage, not to exceed fifty percent (50%),
5 shall be adjusted annually so that the total estimate
6 of the credits does not exceed Two Million Dollars
7 (\$2,000,000.00) annually. The formula to be used for
8 the percentage adjusted shall be fifty percent (50%)
9 times One Million Dollars (\$1,000,000.00) divided by
10 the credits claimed in the preceding year for each
11 donation to an independent biomedical research
12 institute and fifty percent (50%) times One Million
13 Dollars (\$1,000,000.00) divided by the credits claimed
14 in the preceding year for each donation to a cancer
15 research institute,

16 b. in no event shall a taxpayer claim more than one
17 credit for a donation to any independent biomedical
18 research institute and one credit for a donation to a
19 cancer research institute in each taxable year nor
20 shall the credit exceed One Thousand Dollars
21 (\$1,000.00) for each taxpayer for each type of
22 donation,

- 1 c. for tax year 2011, no more than Fifty Thousand Dollars
2 (\$50,000.00) in total tax credits for donations to a
3 cancer research institute shall be allowed,
- 4 d. in no event shall more than fifty percent (50%) of the
5 Two Million Dollars (\$2,000,000.00) in total tax
6 credits authorized by this section, for any calendar
7 year after ~~the effective date of this act~~ January 1,
8 2011, be allocated for credits for donations to a
9 cancer research institute, and
- 10 e. in the event the total tax credits authorized by this
11 section exceed One Million Dollars (\$1,000,000.00) in
12 any calendar year for either a cancer research
13 institute or an independent biomedical research
14 institute, the Oklahoma Tax Commission shall permit
15 any excess over One Million Dollars (\$1,000,000.00)
16 but shall factor such excess into the percentage
17 adjustment formula for subsequent years for that type
18 of donation. However, any such adjustment to the
19 formula for donations to an independent biomedical
20 research institute shall not affect the formula for
21 donations to a cancer research institute, and any such
22 adjustment to the formula for donations to a cancer
23 research institute shall not affect the formula for
24

1 donations to an independent biomedical research
2 institute.

3 3. For purposes of this section, "independent biomedical
4 research institute" means an organization which is exempt from
5 taxation pursuant to the provisions of Section 501(c)(3) of the
6 Internal Revenue Code, 26 U.S.C., Section 501(c)(3) whose primary
7 focus is conducting peer-reviewed basic biomedical research. The
8 organization shall:

- 9 a. have a board of directors,
- 10 b. be able to accept grants in its own name,
- 11 c. be an identifiable institute that has its own
12 employees and administrative staff, and
- 13 d. receive at least Fifteen Million Dollars
14 (\$15,000,000.00) in National Institute of Health
15 funding each year.

16 4. For purposes of this section, "cancer research institute"
17 means an organization which is exempt from taxation pursuant to the
18 Internal Revenue Code and whose primary focus is raising the
19 standard of cancer clinical care in Oklahoma through peer-reviewed
20 cancer research and education or a not-for-profit supporting
21 organization, as that term is defined by the Internal Revenue Code,
22 affiliated with a tax-exempt organization whose primary focus is
23 raising the standard of cancer clinical care in Oklahoma through
24 peer-reviewed cancer research and education. The tax-exempt

1 organization whose primary focus is raising the standard of cancer
2 clinical care in Oklahoma through peer-reviewed cancer research and
3 education shall:

4 a. either be an independent research institute or a
5 program that is part of a state university which is a
6 member of The Oklahoma State System of Higher
7 Education, and

8 b. receive at least Four Million Dollars (\$4,000,000.00)
9 in National Cancer Institute funding each year.

10 B. In no event shall the amount of the credit exceed the amount
11 of any tax liability of the taxpayer.

12 C. Any credits allowed but not used in any tax year may be
13 carried over, in order, to each of the four (4) years following the
14 year of qualification.

15 D. The Tax Commission shall have the authority to prescribe
16 forms for purposes of claiming the credit authorized by this
17 section.

18 SECTION 17. AMENDATORY 68 O.S. 2011, Section 2357.46, is
19 amended to read as follows:

20 Section 2357.46. A. Except as otherwise provided by subsection
21 G of this section, for tax years beginning after December 31, 2005,
22 there shall be allowed a credit against the tax imposed by Section
23 2355 of ~~Title 68 of Oklahoma Statutes~~ this title for eligible
24 expenditures incurred by a contractor in the construction of energy

1 efficient residential property of two thousand (2,000) square feet
2 or less. The amount of the credit shall be based upon the
3 following:

4 1. For any eligible energy efficient residential property
5 constructed and certified as forty percent (40%) or more above the
6 International Energy Conservation Code 2003 and any supplement in
7 effect at the time of completion, the amount of the credit shall be
8 equal to the eligible expenses, not to exceed Four Thousand Dollars
9 (\$4,000.00) for the taxpayer who is the contractor; and

10 2. For any eligible energy efficient residential property
11 constructed and certified as between twenty percent (20%) and
12 thirty-nine percent (39%) above the International Energy
13 Conservation Code 2003 and any supplement in effect at the time of
14 completion, the credit shall be equal to the eligible expenditures,
15 not to exceed Two Thousand Dollars (\$2,000.00) for the taxpayer who
16 is the contractor.

17 B. As used in this section:

18 1. "Eligible expenditure" means any:

19 a. energy efficient heating or cooling system,

20 b. insulation material or system which is specifically
21 and primarily designed to reduce the heat gain or loss
22 of a residential property when installed in or on such
23 property,

24 c. exterior windows, including skylights,

1 d. exterior doors, and

2 e. any metal roof installed on a residential property,
3 but only if such roof has appropriate pigmented
4 coatings which are specifically and primarily designed
5 to reduce the heat gain of such dwelling unit and
6 which meet Energy Star program requirements;

7 2. "Contractor" means the taxpayer who constructed the
8 residential property or manufactured home, or if more than one
9 taxpayer qualifies as the contractor, the primary contractor; and

10 3. "Eligible energy efficient residential property" means a
11 newly constructed residential property or manufactured home property
12 which is located in the State of Oklahoma and substantially complete
13 after December 31, 2005, and which is two thousand (2,000) square
14 feet or less:

15 a. for the credit provided pursuant to paragraph 1 of
16 subsection A of this section, which is certified by an
17 accredited Residential Energy Services Network
18 Provider using the Home Energy Rating System to have:

19 (1) a level of annual heating and cooling energy
20 consumption which is at least forty percent (40%)
21 below the annual level of heating and cooling
22 energy consumption of a comparable residential
23 property constructed in accordance with the
24 standards of Chapter 4 of the 2003 International

1 Energy Conservation Code, as such code is in
2 effect on ~~the effective date of this act~~ November
3 1, 2005,

4 (2) heating and cooling equipment efficiencies which
5 correspond to the minimum allowed under the
6 regulations established by the Department of
7 Energy pursuant to the National Appliance Energy
8 Conservation Act of 1987 and in effect at the
9 time of construction of the property, and

10 (3) building envelope component improvements which
11 account for at least one-fifth of the reduced
12 annual heating and cooling energy consumption
13 levels,

14 b. for the credit provided pursuant to paragraph 2 of
15 subsection A of this section, which is certified by an
16 accredited Residential Energy Services Network
17 Provider using the Home Energy Rating System to have:

18 (1) a level of annual heating and cooling energy
19 consumption which is between twenty percent (20%)
20 and thirty-nine percent (39%) below the annual
21 level of heating and cooling energy consumption
22 of a comparable residential property constructed
23 in accordance with the standards of Chapter 4 of
24 the 2003 International Energy Conservation Code,

1 as such code is in effect on ~~the effective date~~
2 ~~of this act~~ November 1, 2005,

3 (2) heating and cooling equipment efficiencies which
4 correspond to the minimum allowed under the
5 regulations established by the Department of
6 Energy pursuant to the National Appliance Energy
7 Conservation Act of 1987 and in effect at the
8 time of construction of the property, and

9 (3) building envelope component improvements which
10 account for at least one-third of the reduced
11 annual heating and cooling energy consumption
12 levels.

13 C. The credit provided for in subsection A of this section may
14 only be claimed once for the contractor of any eligible residential
15 energy efficient property during the taxable year when the property
16 is substantially complete.

17 D. If the credit allowed pursuant to this section exceeds the
18 amount of income taxes due or if there are no state income taxes due
19 on the income of the taxpayer, the amount of credit allowed but not
20 used in any taxable year may be carried forward as a credit against
21 subsequent income tax liability for a period not exceeding four (4)
22 years following the qualified expenditures.

23 E. For credits earned on or after ~~the effective date of this~~
24 ~~act~~ August 25, 2006, through December 31, 2012, the credits

1 authorized by this section shall be freely transferable to
2 subsequent transferees. For tax year 2013 and all subsequent tax
3 years, no credit provided pursuant to this section may be allocated
4 by a pass-through entity to a shareholder, partner or member.

5 F. The Oklahoma Tax Commission shall promulgate rules necessary
6 to implement this act.

7 G. No credit otherwise authorized by the provisions of this
8 section may be claimed for any event, transaction, investment,
9 expenditure or other act occurring on or after July 1, 2010 ~~for~~
10 ~~which the credit would otherwise be allowable. The provisions of~~
11 ~~this subsection shall cease to be operative on July 1, 2012.~~
12 ~~Beginning July 1, 2012, the credit authorized by this section may be~~
13 ~~claimed for any event, transaction, investment, expenditure or other~~
14 ~~act occurring on or after July 1, 2012, according to the provisions~~
15 ~~of this section~~ except as provided in this subsection. Total
16 credits allowed for any event, transaction, investment, expenditure
17 or other act pursuant to this section for the time period beginning
18 on July 1, 2012, shall be limited to eighty percent (80%) of the
19 total amount of accrued credit and shall be refundable.

20 SECTION 18. AMENDATORY 68 O.S. 2011, Section 2357.47, is
21 amended to read as follows:

22 Section 2357.47. A. 1. Except as otherwise provided in
23 subsection D of this section, for tax years beginning after December
24 31, 2005, there shall be allowed against the tax imposed by Section

1 2355 of this title, a credit for eligible wages paid by an employer
2 to an employee. The amount of the credit shall be ten percent (10%)
3 of the amount of the gross wages paid to the employee for a period
4 not to exceed ninety (90) days but in no event shall the credit
5 exceed Five Thousand Dollars (\$5,000.00) for each employee of each
6 taxpayer. In no event shall the total credit claimed exceed Twenty-
7 five Thousand Dollars (\$25,000.00) in any one year for any taxpayer.

8 2. Except as otherwise provided by subsection D of this
9 section, for tax years beginning after December 31, 2005, there
10 shall be allowed against the tax imposed by Section 2355 of this
11 title, a credit for eligible modification expenses of an employer.
12 The amount of the credit shall be fifty percent (50%) of the amount
13 of the funds expended for eligible modification expenses or new
14 tools or equipment but in no event shall the credit exceed One
15 Thousand Dollars (\$1,000.00) for eligible modification expenses
16 incurred for any single employee. In no event shall the total
17 credit claimed exceed Ten Thousand Dollars (\$10,000.00) in any year
18 for any taxpayer.

19 3. As used in this section:

- 20 a. "employee", "employer", "maximum medical improvement",
21 "treating physician", and "wages" shall be defined as
22 in Section 3 of Title 85 of the Oklahoma Statutes,
23 b. "eligible wages" means gross wages paid by an employer
24 to an employee who is injured as a result of an injury

1 which is compensable under the Workers' Compensation
2 Act and which are paid beginning when the employee
3 returns to work with restricted duties as provided by
4 the employee's treating physician or an independent
5 medical examiner before the employee has reached
6 maximum medical improvement, and ending after ninety
7 (90) days or when the employee has reached maximum
8 medical improvement, and

9 c. "eligible modification expenses" means expenses
10 incurred by an employer to modify a workplace, tools
11 or equipment or to obtain new tools or equipment and
12 which are incurred by an employer solely to enable a
13 specific injured employee who is injured as a result
14 of an injury which is compensable under the Workers'
15 Compensation Act to return to work with restricted
16 duties as provided by the employee's treating
17 physician or an independent medical examiner before
18 the employee has reached maximum medical improvement,
19 and which workplace, tools or equipment are used
20 primarily by the injured employee.

21 B. In no event shall the amount of the credit(s) exceed the
22 amount of any tax liability of the taxpayer.
23
24

1 C. The Oklahoma Tax Commission shall have the authority to
2 promulgate rules necessary to effectuate the purposes of this
3 section.

4 D. No credit otherwise authorized by the provisions of this
5 section may be claimed for any event, transaction, investment,
6 expenditure or other act occurring on or after July 1, 2010, ~~for~~
7 ~~which the credit would otherwise be allowable. The provisions of~~
8 ~~this subsection shall cease to be operative on July 1, 2012.~~

9 ~~Beginning July 1, 2012, the credit authorized by this section may be~~
10 ~~claimed for any event, transaction, investment, expenditure or other~~
11 ~~act occurring on or after July 1, 2012, according to the provisions~~
12 ~~of this section.~~

13 SECTION 19. AMENDATORY 68 O.S. 2011, Section 2357.59, is
14 amended to read as follows:

15 Section 2357.59. A. Except as otherwise provided by subsection
16 F of this section, if any person, firm, corporation, partnership or
17 other legal entity has made application or filed an information
18 report on forms prescribed by the Oklahoma Tax Commission to receive
19 a credit against the tax imposed by Section 2355 of this title or
20 Section 624 of Title 36 of the Oklahoma Statutes pursuant to the
21 provisions of Sections 2357.23, 2357.51, 2357.52, 2357.53, 2357.54,
22 2357.55, 2357.56, 2357.57 or 2357.58 of this title on or before July
23 1, 1993, such credit may be received notwithstanding the provisions
24 of Section 51 of Senate Bill No. 459 of the 1st Session of the 44th

1 Oklahoma Legislature or that the other requirements for allowance of
2 such credit are not established until after July 1, 1993.

3 B. Except as provided in this section, no person, firm,
4 corporation, partnership or other legal entity shall qualify to
5 receive any such credit after July 1, 1993.

6 C. For any person, firm, corporation, partnership or other
7 legal entity or its successor who has filed the information report
8 specified in subsection A of this section, for taxable years
9 beginning after December 31, 1995, and ending on or before December
10 31, 2000, there shall be allowed a credit against the tax imposed by
11 Section 2355 of this title for fifteen percent (15%) of the
12 investment cost of a new qualified recycling facility. A person,
13 firm, corporation, partnership or other legal entity or its
14 successor which has withdrawn its application or information report
15 specified in subsection A of this section shall not be eligible for
16 such credit. For purposes of this subsection, a "qualified
17 recycling facility" shall mean buildings, land, improvements,
18 machinery and equipment located in Oklahoma and used in
19 manufacturing as defined by the Standard Industrial Classification
20 Code and at which facility is produced a qualified finished product,
21 provided that up to ten percent (10%) of the square feet of a
22 building may be devoted to office space used to provide clerical
23 support for the manufacturing operation. Such ten percent (10%) may
24 be in a separate building as long as it is part of the same

1 contiguous tract of property on which the manufacturing facility is
2 located. For purposes of this subsection, a "qualified finished
3 product" shall mean a marketable product or component thereof which
4 has economic value to the consumer and ninety percent (90%) of which
5 is composed of materials which have been separated, diverted or
6 removed from the waste stream and incorporated into the finished
7 product by any means or method.

8 D. The credit provided for in subsection C of this section
9 shall be subject to the following limitations:

10 1. The credit shall apply to investment in a qualified
11 recycling facility only if construction or on-site installation of
12 the facility commences on or after January 1, 1996, and before
13 December 31, 1999;

14 2. The credit shall only be available if the total cost of the
15 new qualified recycling facility exceeds Twenty Million Dollars
16 (\$20,000,000.00) and employs at least seventy-five new full-time-
17 equivalent employees, as certified by the Oklahoma Employment
18 Security Commission;

19 3. The credit shall be initially allowed for the tax year in
20 which the qualified recycling facility is placed in service.
21 However, any credit allowed but not used in any tax year due to the
22 limitation provided in paragraph 4 of this subsection shall be
23 carried over in order, but used only once, to each of the fourteen
24 (14) years following the year of initial allowance; and

1 4. The credit shall not be utilized in any tax year to reduce
2 the income tax liability of the owner of the qualified recycling
3 facility for such year by more than fifty percent (50%) of the tax
4 liability calculated from the income of the qualified recycling
5 facility. For purposes of subsections C and D of this section, the
6 "owner" shall include the user of a qualified recycling facility
7 under a lease with a term of five (5) years or more.

8 E. The Oklahoma Tax Commission may promulgate rules in order to
9 implement the provisions of this section including requirements to
10 submit any additional information as deemed necessary to implement
11 and administer this credit.

12 F. No credit otherwise authorized by the provisions of this
13 section may be claimed for any event, transaction, investment,
14 expenditure or other act occurring on or after July 1, 2010, ~~for~~
15 ~~which the credit would otherwise be allowable. The provisions of~~
16 ~~this subsection shall cease to be operative on July 1, 2012.~~
17 ~~Beginning July 1, 2012, the credit authorized by this section may be~~
18 ~~claimed for any event, transaction, investment, expenditure or other~~
19 ~~act occurring on or after July 1, 2012, according to the provisions~~
20 ~~of this section.~~

21 SECTION 20. AMENDATORY 68 O.S. 2011, Section 2357.81, is
22 amended to read as follows:

23 Section 2357.81. A. Subject to the limitation imposed pursuant
24 to subsection C of Section 842 of Title 62 of the Oklahoma Statutes

1 and except as otherwise provided by subsection F of this section,
2 for taxable years beginning after December 31, 2000, there shall be
3 allowed as a credit against the tax imposed pursuant to Section 2355
4 of ~~Title 68 of the Oklahoma Statutes~~ this title, an amount equal to
5 one hundred percent (100%) of the amount of ad valorem taxes
6 exempted pursuant to the provisions of Section 860 of Title 62 of
7 the Oklahoma Statutes for an enterprise locating a new facility
8 within or expanding an existing facility within an enterprise zone
9 as designated pursuant to Section 690.2 of ~~Title 68 of the Oklahoma~~
10 ~~Statutes~~ this title if such facility is also located within an
11 incentive district.

12 B. The income tax credit authorized by this section shall only
13 be available, to the extent otherwise allowable and except as
14 otherwise provided by subsection F of this section, for ad valorem
15 taxes for which an exemption has been provided pursuant to Section
16 860 of Title 62 of the Oklahoma Statutes on or after January 1,
17 2001. The county assessor of the county in which the facility is
18 located, or any part of the facility, shall provide an annual
19 certification to the Oklahoma Tax Commission not later than January
20 31 of each calendar year as to the amount of ad valorem taxes which
21 would have been payable by the owner of the facility without the
22 exemption provided by Section 860 of Title 62 of the Oklahoma
23 Statutes.

24

1 C. In order to claim the credit authorized by this section, the
2 taxpayer shall obtain a certification from the local governing body
3 approving the incentive district which shall be acknowledged by the
4 chief elected official of the local governing body. The
5 certification shall be signed by the Director of the Oklahoma
6 Department of Commerce or designee, that the facility is located
7 within an enterprise zone. The signature required by this
8 subsection shall be acknowledged in the manner provided by law.

9 D. The credit authorized by this section shall be allowable
10 only to the extent of ad valorem taxes which would have been levied
11 upon the taxable value of real property and improvements physically
12 attached to real property constituting the eligible facility without
13 the exemption provided by Section 860 of Title 62 of the Oklahoma
14 Statutes and shall not be allowable to the extent that the credit is
15 claimed for ad valorem taxes which would have been levied upon the
16 taxable value of personal property of the enterprise even if the
17 incentive granted by the participating governmental entities in the
18 incentive district includes personal property.

19 E. If the tax credit authorized by this section exceeds the
20 amount of taxes due or if there are no state taxes due of the
21 taxpayer, the amount of the claim not used as an offset against the
22 taxes of a taxable year may be carried forward for a period not to
23 exceed ten (10) years.

24

1 F. No credit otherwise authorized by the provisions of this
2 section may be claimed for any event, transaction, investment,
3 expenditure or other act occurring on or after July 1, 2010, ~~for~~
4 ~~which the credit would otherwise be allowable. The provisions of~~
5 ~~this subsection shall cease to be operative on July 1, 2012.~~
6 ~~Beginning July 1, 2012, the credit authorized by this section may be~~
7 ~~claimed for any event, transaction, investment, expenditure or other~~
8 ~~act occurring on or after July 1, 2012, according to the provisions~~
9 ~~of this section.~~

10 SECTION 21. AMENDATORY 68 O.S. 2011, Section 2357.100,
11 is amended to read as follows:

12 Section 2357.100. A. For taxable years beginning after
13 December 31, 2004, and ending on or before December 31, 2009, there
14 shall be allowed a credit against the tax imposed by Section 2355 of
15 this title for the purchase and transportation of poultry litter.
16 Subject to the limitations provided in subsection C of this section,
17 the credit shall be available to the purchaser of the poultry litter
18 and shall equal Five Dollars (\$5.00) per ton purchased and
19 transported.

20 B. Except as provided in subsection F of this section, for
21 taxable years beginning after December 31, 2009, and ending on or
22 before December 31, 2013, there shall be allowed a credit against
23 the tax imposed by Section 2355 of this title for the purchase and
24 transportation of poultry litter. Subject to the limitations

1 provided in subsection C of this section, the credit shall be
2 available to the purchaser of the poultry litter and shall equal Ten
3 Dollars (\$10.00) per ton purchased and transported.

4 C. 1. The total of the credits authorized by this section
5 shall not exceed Three Hundred Seventy-five Thousand Dollars
6 (\$375,000.00) annually. The amount of the credit for each purchaser
7 shall be adjusted annually so that the total estimate of the credits
8 authorized by this section does not exceed Three Hundred Seventy-
9 five Thousand Dollars (\$375,000.00). The formula to be used for the
10 percentage adjustment shall be Three Hundred Seventy-five Thousand
11 Dollars (\$375,000.00) divided by the credits claimed in the
12 preceding year. In no event shall the credit be claimed more than
13 once by a taxpayer each taxable year.

14 2. In the event the total tax credits authorized by this
15 section exceed Three Hundred Seventy-five Thousand Dollars
16 (\$375,000.00) in any calendar year, the Oklahoma Tax Commission
17 shall permit any excess over Three Hundred Seventy-five Thousand
18 Dollars (\$375,000.00) but shall factor such excess into the
19 percentage adjustment formula for subsequent years.

20 D. In order to qualify for the credit provided for in
21 subsections A and B of this section:

22 1. The poultry litter shall only be purchased from an Oklahoma-
23 based poultry operation registered with the State Board of
24 Agriculture and located within an environmentally sensitive and

1 nutrient-limited watershed area as defined in the most recent
2 Oklahoma Water Quality Standards;

3 2. The poultry litter shall be used or spread in a watershed
4 that is not environmentally sensitive and nutrient-limited as
5 defined in the most recent Oklahoma Water Quality Standards; and

6 3. The poultry litter shall be applied by a certified poultry
7 waste applicator as defined by Section 10-9.1 of Title 2 of the
8 Oklahoma Statutes and in accordance with the provisions of ~~Sections~~
9 ~~10-9.16 through 10-9.21 of Title 2 of the Oklahoma Statutes~~ the
10 Oklahoma Poultry Waste Applicators Certification Act and any rules
11 promulgated by the Oklahoma Department of Agriculture, Food, and
12 Forestry.

13 E. The credit allowed by this section shall be available to the
14 taxpayer in the year in which the poultry litter was purchased and
15 transported, provided the taxpayer is found by the Oklahoma
16 Department of Agriculture, Food, and Forestry to have applied the
17 poultry litter in a manner consistent with an Animal Waste
18 Management Plan, as defined in Section 10-9.1 of Title 2 of the
19 Oklahoma Statutes, specifically designed to restore and protect
20 beneficial uses from impairment from nutrients. If the credit
21 exceeds the amount of income taxes due or if there are no state
22 income taxes due on the income of the taxpayer, the amount of the
23 credit not used as an offset against the income taxes for a year may
24

1 be carried forward as a credit against subsequent income tax
2 liability for a period not to exceed five (5) years.

3 F. No credit otherwise authorized by the provisions of this
4 section may be claimed for any event, transaction, investment,
5 expenditure or other act occurring on or after July 1, 2010, ~~for~~
6 ~~which the credit would otherwise be allowable. The provisions of~~
7 ~~this subsection shall cease to be operative on July 1, 2012.~~
8 ~~Beginning July 1, 2012, the credit authorized by this section may be~~
9 ~~claimed for any event, transaction, investment, expenditure or other~~
10 ~~act occurring on or after July 1, 2012, according to the provisions~~
11 ~~of this section.~~

12 SECTION 22. AMENDATORY 68 O.S. 2011, Section 2357.101,
13 is amended to read as follows:

14 Section 2357.101. A. Except as otherwise provided in
15 subsection ~~G~~ E of this section, for taxable years beginning after
16 December 31, 2004, there shall be allowed against the tax imposed by
17 Section 2355 of ~~Title 68 of the Oklahoma Statutes~~ this title, a
18 credit equal to twenty-five percent (25%) of the amount of profit
19 made by a taxpayer from investment in an existing Oklahoma film or
20 music project with a production company to pay for production costs
21 that is reinvested by the taxpayer with the production company to
22 pay for the production cost of the production company for a new
23 Oklahoma film or music project.

24

1 B. In no event shall the amount of the credit provided for in
2 subsection A of this section for an eligible taxpayer exceed the tax
3 liability of the taxpayer in a calendar year.

4 C. The Oklahoma Tax Commission shall have the authority to
5 prescribe forms for purposes of claiming the credit authorized in
6 subsection A of this section. The forms shall include, but not be
7 limited to, requests for information that prove who the investment
8 was with, the amount of the original investment and the amount of
9 the profit realized from the investment.

10 D. As used in this section:

11 1. "Film" means a professional single media, multimedia program
12 or feature, which is not child pornography as defined in subsection
13 A of Section 1024.1 of Title 21 of the Oklahoma Statutes or obscene
14 material as defined in paragraph 1 of subsection B of Section 1024.1
15 of Title 21 of the Oklahoma Statutes including, but not limited to,
16 national advertising messages that are broadcast on a national
17 affiliate or cable network, fixed on film or digital video, which
18 can be viewed or reproduced and which is exhibited in theaters,
19 licensed for exhibition by individual television stations, groups of
20 stations, networks, cable television stations or other means or
21 licensed for home viewing markets;

22 2. "Music project" means a professional recording released on a
23 national or international level, whether via traditional
24 manufacturing or distributing or electronic distribution, using

1 technology currently in use or future technology including, but not
2 limited to, music CDs, radio commercials, jingles, cues, or
3 electronic device recordings;

4 3. "Production company" means a person who produces a film or
5 music project for exhibition in theaters, on television or
6 elsewhere;

7 4. "Total production cost" includes, but is not limited to:

- 8 a. wages or salaries of persons who have earned income
9 from working on a film or music project in this state,
10 including payments to personal services corporations
11 with respect to the services of qualified performing
12 artists, as determined under Section 62(a)(A) of the
13 Internal Revenue Code,
- 14 b. the cost of construction and operations, wardrobe,
15 accessories and related services,
- 16 c. the cost of photography, sound synchronization,
17 lighting and related services,
- 18 d. the cost of editing and related services,
- 19 e. rental of facilities and equipment, and
- 20 f. other direct costs of producing a film or music
21 project;

22 5. "Existing Oklahoma film or music project" means a film or
23 music project produced after July 1, 2005;

24

1 6. "Profit" means the amount made by the taxpayer to be
2 determined as follows:

- 3 a. the gross revenues less gross expenses, including
4 direct production, distribution and marketing costs
5 and an allocation of indirect overhead costs, of the
6 film or music project shall be multiplied by,
- 7 b. a ratio, the numerator of which is Oklahoma production
8 costs, as defined in paragraph 7 of this subsection,
9 and the denominator of which is total production
10 costs, as defined in paragraph 4 of this subsection,
11 which shall be multiplied by,
- 12 c. the percent of the taxpayer's taxable income allocated
13 to Oklahoma in a taxable year, and
- 14 d. subtract from the result of the formula calculated
15 pursuant to subparagraphs a through c of this
16 paragraph the profit made by a taxpayer from
17 investment in an existing Oklahoma film or music
18 project in previous taxable years. Profit shall
19 include either a net profit or net loss;

20 7. "Oklahoma production cost" means that portion of total
21 production costs which are incurred with any qualified vendor;

- 22 8. a. "Qualified vendor" means an Oklahoma entity which
23 provides goods or services to a production company and
24 for which:

1 (1) fifty percent (50%) or more of its employees are
2 Oklahoma residents, and

3 (2) fifty percent (50%) or more of gross wages, as
4 reported on Internal Revenue Service Form W-2 or
5 Form 1099, are paid to Oklahoma residents.

6 b. For purposes of this paragraph, an employee shall
7 include a self-employed individual reporting income
8 from a qualified vendor on Internal Revenue Service
9 Form 1040.

10 c. The Oklahoma Tax Commission shall prescribe forms by
11 which an entity may be certified to a production
12 company as a qualified vendor for purposes of this
13 section; and

14 9. "Investment" means costs associated with the original
15 production company. Film or music projects acquired from an
16 original production company do not qualify as investment under
17 subsection A of this section.

18 ~~G. E.~~ No credit otherwise authorized by the provisions of this
19 section may be claimed for any event, transaction, investment,
20 expenditure or other act occurring on or after July 1, 2010, ~~for~~
21 ~~which the credit would otherwise be allowable. The provisions of~~
22 ~~this subsection shall cease to be operative on July 1, 2012.~~
23 ~~Beginning July 1, 2012, the credit authorized by this section may be~~
24 ~~claimed for any event, transaction, investment, expenditure or other~~

1 ~~act occurring on or after July 1, 2012, according to the provisions~~
2 ~~of this section.~~

3 SECTION 23. AMENDATORY 68 O.S. 2011, Section 2357.102,
4 is amended to read as follows:

5 Section 2357.102. A. Except as otherwise provided by
6 subsection G of this section, for taxable years beginning after
7 December 31, 2005, there shall be allowed a credit against the tax
8 imposed by Section 2355 of ~~Title 68 of the Oklahoma Statutes~~ this
9 title for the cost of the purchase of a dry fire hydrant or the cost
10 to provide an acceptable means of water storage for such dry fire
11 hydrant including a pond, tank, or other storage facility with the
12 primary purpose of fire protection within the State of Oklahoma.
13 The credit shall be equal to fifty percent (50%) of the purchase
14 price of the dry fire hydrant or the actual expenditure for any new
15 water storage construction, equipment, development and installation
16 of the dry hydrant, including pipes, valves, hydrants, and labor for
17 each installation of a dry hydrant or new water storage facility but
18 in no event shall the amount of the credit exceed Five Thousand
19 Dollars (\$5,000.00) for each taxpayer.

20 B. In order to qualify for the tax credit provided for in
21 subsection A of this section, the dry fire hydrant or new water
22 storage facility must meet the following minimum requirements:

23 1. Each body of water or water storage structure must be able
24 to provide two hundred fifty (250) gallons per minute for a

1 continuous two-hour period during a fifty-year drought or freeze at
2 a vertical lift of eighteen (18) feet;

3 2. Each dry fire hydrant must be located within twenty-five
4 (25) feet of an all-weather roadway and must be accessible to fire
5 protection equipment; and

6 3. Dry fire hydrants shall be located a reasonable distance
7 from other dry or pressurized hydrants.

8 C. In no event shall the amount of the credit exceed the amount
9 of any tax liability of the taxpayer.

10 D. Any credits allowed but not used in any tax year may be
11 carried over, in order, to each of the four (4) years following the
12 year of qualification.

13 E. The Oklahoma Tax Commission and the State Fire Marshal
14 Commission shall promulgate rules to establish the requirements for
15 the construction of a dry fire hydrant or new water storage facility
16 and permit verification of eligibility of a dry fire hydrant or new
17 water storage facility for the credit provided for in subsection A
18 of this section.

19 F. As used in this section, "dry fire hydrant" means
20 nonpressurized pipes permanently installed in lakes, farm ponds, and
21 streams that provide a ready means of drawing water.

22 G. No credit otherwise authorized by the provisions of this
23 section 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 subsection shall cease to be operative on July 1, 2012.~~
3 ~~Beginning July 1, 2012, the credit authorized by this section may be~~
4 ~~claimed for any event, transaction, investment, expenditure or other~~
5 ~~act occurring on or after July 1, 2012, according to the provisions~~
6 ~~of this section.~~

7 SECTION 24. AMENDATORY 68 O.S. 2011, Section 2357.104,
8 is amended to read as follows:

9 Section 2357.104. A. Except as otherwise provided by
10 subsection G of this section, for taxable years beginning after
11 December 31, 2005, there shall be allowed a credit against the tax
12 imposed by Section 2355 of this title equal to fifty percent (50%)
13 of an eligible taxpayer's qualified railroad reconstruction or
14 replacement expenditures.

15 B. 1. Except as provided in paragraph 2 of this subsection,
16 the amount of the credit shall be limited to the product of Five
17 Hundred Dollars (\$500.00) for tax year 2007 and Two Thousand Dollars
18 (\$2,000.00) for tax year 2008 and subsequent tax years and the
19 number of miles of railroad track owned or leased within this state
20 by the eligible taxpayer as of the close of the taxable year.

21 2. In tax year 2009 and subsequent tax years, a taxpayer may
22 elect to increase the limit provided in paragraph 1 of this
23 subsection to an amount equal to three times the limit specified in
24 paragraph 1 of this subsection for qualified expenditures made in

1 the tax year, provided the taxpayer may only claim one third (1/3)
2 of the credit in any one taxable period.

3 C. ~~The~~ Before January 1, 2013, the credit allowed pursuant to
4 subsection A of this section but not used shall be freely
5 transferable, by written agreement, to subsequent transferees at any
6 time during the five (5) years following the year of qualification.
7 An eligible transferee shall be any taxpayer subject to the tax
8 imposed by Section 2355 of this title. The person originally
9 allowed the credit and the subsequent transferee shall jointly file
10 a copy of the written credit transfer agreement with the Oklahoma
11 Tax Commission within thirty (30) days of the transfer. The written
12 agreement shall contain the name, address and taxpayer
13 identification number of the parties to the transfer, the amount of
14 credit being transferred, the year the credit was originally allowed
15 to the transferring person and the tax year or years for which the
16 credit may be claimed. The Tax Commission shall promulgate rules to
17 permit verification of the timeliness of a tax credit claimed upon a
18 tax return pursuant to this subsection but shall not promulgate any
19 rules which unduly restrict or hinder the transfers of such tax
20 credit. The Department of Transportation shall promulgate rules to
21 permit verification of the eligibility of an eligible taxpayer's
22 expenditures for the purpose of claiming the credit. The rules
23 shall provide for the approval of qualified railroad reconstruction
24 or replacement expenditures prior to commencement of a project and

1 provide a certificate of verification upon completion of a project
2 that uses qualified railroad reconstruction or replacement
3 expenditures. The certificate of verification shall satisfy all
4 requirements of the Tax Commission pertaining to the eligibility of
5 the person claiming the credit. For tax year 2013 and all
6 subsequent tax years, no credit provided pursuant to this section
7 may be allocated by a pass-through entity to a shareholder, partner
8 or member.

9 D. Any credits allowed pursuant to the provisions of subsection
10 A of this section but not used in any tax year may be carried over
11 in order to each of the five (5) years following the year of
12 qualification.

13 E. A taxpayer who elects to increase the limitation on the
14 credit under paragraph 2 of subsection B of this section shall not
15 be granted additional credits under subsection A of this section
16 during the period of such election.

17 F. As used in this section:

18 1. "Class II and Class III railroad" means a railroad that is
19 classified by the United States Surface Transportation Board as a
20 Class II or Class III railroad;

21 2. "Eligible taxpayer" means any Class II or Class III
22 railroad; and

23 3. "Qualified railroad reconstruction or replacement
24 expenditures" means expenditures for:

1 a. reconstruction or replacement of railroad
2 infrastructure including track, roadbed, bridges,
3 industrial leads and track-related structures owned or
4 leased by a Class II or Class III railroad as of
5 January 1, 2006, or

6 b. new construction of industrial leads, switches, spurs
7 and sidings and extensions of existing sidings by a
8 Class II or Class III railroad.

9 G. No credit otherwise authorized by the provisions of this
10 section may be claimed for any event, transaction, investment,
11 expenditure or other act occurring on or after July 1, 2010, ~~for~~
12 ~~which the credit would otherwise be allowable. The provisions of~~
13 ~~this subsection shall cease to be operative on July 1, 2012.~~
14 ~~Beginning July 1, 2012, the credit authorized by this section may be~~
15 ~~claimed for any event, transaction, investment, expenditure or other~~
16 ~~act occurring on or after July 1, 2012, according to the provisions~~
17 ~~of this section~~ except as provided in this subsection. Total
18 credits allowed for any event, transaction, investment, expenditure
19 or other act pursuant to this section for the time period beginning
20 on July 1, 2012, shall be limited to eighty percent (80%) of the
21 total amount of accrued credit and such credits shall be refundable.

22 SECTION 25. AMENDATORY 68 O.S. 2011, Section 2357.203,
23 is amended to read as follows:

24 Section 2357.203. A. As used in this section:

1 1. "Nonqualified operating expenditures" means labor costs,
2 salary and other compensation, whether direct or indirect, paid to
3 directors, officers, limited liability company members, limited
4 liability company managers, partners or other principals or
5 employees of the business entity;

6 2. "Qualified direct costs" means expenditures, other than
7 nonqualified operating expenditures, to construct dog kennels,
8 fences, pens, training areas for canines, structures for office
9 space or other improvements to real property necessary for the
10 proper training of a specially trained canine, including the cost of
11 food, water, veterinary expenses and other costs directly related to
12 the operation of the training facility; and

13 3. "Specially trained canines" means dogs that are raised by a
14 person who is officially licensed as a dog breeder by the United
15 States Department of Agriculture.

16 B. Except as provided in subsection F of this section, for
17 taxable years beginning after December 31, 2005, there shall be
18 allowed a credit against the tax imposed pursuant to Section 2355 of
19 ~~Title 68 of the Oklahoma Statutes~~ this title in the amount of fifty
20 percent (50%) of the qualified direct costs associated with the
21 operation of a business enterprise the principal purpose of which is
22 the rearing of specially trained canines.

23 C. The provisions of this section shall not be applicable to
24 nonqualified operating expenditures.

1 D. The credit authorized by this section shall not be used to
2 reduce the tax liability of the taxpayer to less than zero (0). Any
3 credits authorized by this section claimed for a taxable year which
4 are unable to be used may be carried over, in order, to each of the
5 five (5) subsequent taxable years.

6 E. The Oklahoma Tax Commission shall be authorized to prescribe
7 such forms as may be necessary in order to administer the tax credit
8 authorized by this section. The Tax Commission may request such
9 additional documentation as may be required from the taxpayer in
10 order to verify the eligibility for the credit authorized by this
11 section.

12 F. No credit otherwise authorized by the provisions of this
13 section may be claimed for any event, transaction, investment,
14 expenditure or other act occurring on or after July 1, 2010, ~~for~~
15 ~~which the credit would otherwise be allowable. The provisions of~~
16 ~~this subsection shall cease to be operative on July 1, 2012.~~
17 ~~Beginning July 1, 2012, the credit authorized by this section may be~~
18 ~~claimed for any event, transaction, investment, expenditure or other~~
19 ~~act occurring on or after July 1, 2012, according to the provisions~~
20 ~~of this section.~~

21 SECTION 26. AMENDATORY 68 O.S. 2011, Section 2357.206,
22 is amended to read as follows:

23 Section 2357.206. A. This act shall be known and may be cited
24 as the "Oklahoma Equal Opportunity Education Scholarship Act".

1 B. 1. Except as provided in subsection E of this section,
2 after the effective date of this act, there shall be allowed a
3 credit for any taxpayer who makes a contribution to an eligible
4 scholarship-granting organization. The credit shall be equal to
5 fifty percent (50%) of the total amount of contributions made during
6 a taxable year, not to exceed One Thousand Dollars (\$1,000.00) for
7 single individuals, Two Thousand Dollars (\$2,000.00) for married
8 individuals filing jointly, or One Hundred Thousand Dollars
9 (\$100,000.00) for any taxpayer which is a legal business entity
10 including limited and general partnerships, corporations, and
11 limited liability companies; provided, if total credits claimed
12 pursuant to this paragraph exceed the caps established pursuant to
13 paragraph 2 of this subsection, the credit shall be equal to the
14 taxpayer's proportionate share of the cap for the taxable year, as
15 determined pursuant to subsection G of this section.

16 2. a. The total credits authorized by paragraph 1 of this
17 subsection for all single individuals and married
18 individuals filing jointly shall not exceed One
19 Million Seven Hundred Fifty Thousand Dollars
20 (\$1,750,000.00) annually for tax years ending prior to
21 January 1, 2013, and shall not exceed One Million Four
22 Hundred Thousand Dollars (\$1,400,000.00) annually for
23 tax years beginning on or after January 1, 2013.
24

1 b. The total credits authorized by paragraph 1 of this
2 subsection for all other taxpayers not subject to
3 subparagraph a of this paragraph shall not exceed One
4 Million Seven Hundred Fifty Thousand Dollars
5 (\$1,750,000.00) annually for tax years ending prior to
6 January 1, 2013, and shall not exceed One Million Four
7 Hundred Thousand Dollars (\$1,400,000.00) annually for
8 tax years beginning on or after January 1, 2013.

9 c. Each cap on total credits as provided for in this
10 paragraph shall be allocated by the Oklahoma Tax
11 Commission as provided in subsection G of this
12 section.

13 C. 1. Except as provided in subsection E of this section,
14 after the effective date of this act, there shall be allowed a
15 credit for any taxpayer who makes a contribution to an eligible
16 educational improvement grant organization. The credit shall be
17 equal to fifty percent (50%) of the total amount of contributions
18 made during a taxable year, not to exceed One Thousand Dollars
19 (\$1,000.00) for single individuals, Two Thousand Dollars (\$2,000.00)
20 for married individuals filing jointly, or One Hundred Thousand
21 Dollars (\$100,000.00) for any taxpayer which is a legal business
22 entity including limited and general partnerships, corporations, and
23 limited liability companies; provided, if total credits claimed
24 pursuant to this paragraph exceed the cap established pursuant to

1 paragraph 3 of this subsection, the credit shall be equal to the
2 taxpayer's proportionate share of the cap for the taxable year, as
3 determined pursuant to subsection G of this section.

4 2. For any taxpayer who makes a contribution to an eligible
5 educational improvement grant organization and makes a written
6 commitment to contribute the same amount for two (2) additional
7 consecutive years the credit shall be equal to seventy-five percent
8 (75%) of the total amount of the contribution established in
9 paragraph 1 of this subsection, not to exceed the amounts
10 established in paragraph 1 of this subsection for the taxable year
11 in which the credit provided in this subsection is claimed;
12 provided, if total credits claimed pursuant to this paragraph exceed
13 the cap established pursuant to paragraph 3 of this subsection, the
14 credit shall be equal to the taxpayer's proportionate share of the
15 cap for the taxable year, as determined pursuant to subsection G of
16 this section. The taxpayer shall provide evidence of the written
17 commitment to the Oklahoma Tax Commission at the time of filing the
18 refund claim.

19 3. a. The total credits authorized by paragraph 1 of this
20 subsection for all single individuals, married
21 individuals filing jointly and for all other taxpayers
22 shall not exceed One Million Five Hundred Thousand
23 Dollars (\$1,500,000.00) annually for tax years ending
24 prior to January 1, 2013, and shall not exceed One

1 Million Two Hundred Thousand Dollars (\$1,200,000.00)
2 annually for tax years beginning on or after January
3 1, 2013.

4 b. The cap on total credits as provided for in this
5 paragraph shall be allocated by the Oklahoma Tax
6 Commission as provided in subsection G of this
7 section.

8 D. For credits claimed for eligible contributions made during
9 tax year 2014 and thereafter, a credit shall not be allowed by the
10 Oklahoma Tax Commission for contributions made to a scholarship-
11 granting organization or an educational improvement grant
12 organization if that organization's percentage of funds actually
13 awarded is less than ninety percent (90%). For purposes of this
14 section, the "percentage of funds actually awarded" shall be
15 determined by dividing the total amount of funds actually awarded as
16 educational scholarships or educational improvement grants over the
17 most recent twenty-four (24) months by the total amount available to
18 award as educational scholarships or educational improvement grants
19 over the most recent twenty-four (24) months.

20 E. Any tax credits which are earned by a taxpayer pursuant to
21 this section during the time period beginning on the effective date
22 of this act through December 31, 2012, may not be claimed for any
23 period prior to the taxable year beginning January 1, 2013. No
24 credits which accrue during the time period beginning on the

1 effective date of this act through December 31, 2012, may be used to
2 file an amended tax return for any taxable year prior to the taxable
3 year beginning January 1, 2013.

4 F. As used in this section:

5 1. "Eligible student" means a child of school age who is
6 lawfully present in the United States and who is a member of a
7 household in which the total annual income during the preceding tax
8 year does not exceed an amount equal to three hundred percent (300%)
9 of the income standard used to qualify for a free or reduced school
10 lunch or who, during the immediately preceding school year, attended
11 or, by virtue of the location of such student's place of residence,
12 was eligible to attend a public school in this state which has been
13 identified for school improvement as determined by the State Board
14 of Education pursuant to the requirements of the No Child Left
15 Behind Act of 2001, P.L. No. 107-110. Once a student has received
16 an educational scholarship, as defined in paragraph 3 of this
17 subsection, the student and any siblings who are members of the same
18 household shall remain eligible until they graduate from high school
19 or reach twenty-one (21) years of age, whichever occurs first;

20 2. "Eligible special needs student" means a child of school age
21 who has attended public school in our state with an individualized
22 education program pursuant to the Individuals With Disabilities
23 Education Act, 20 U.S.C.A., Section 1400 et seq.;

24 3. "Educational scholarships" means:

1 a. scholarships to an eligible student of up to Five
2 Thousand Dollars (\$5,000.00) or eighty percent (80%)
3 of the average per-pupil expenditure in the school
4 district where the recipient student resides,
5 whichever is greater, to cover all or part of the
6 tuition, fees and transportation costs of a qualified
7 school which is accredited by the State Board of
8 Education or an accrediting association approved by
9 the Board pursuant to Section 3-104 of Title 70 of the
10 Oklahoma Statutes, or

11 b. scholarships to an eligible special needs student of
12 up to Twenty-five Thousand Dollars (\$25,000.00) to
13 cover all or part of the tuition, fees and
14 transportation costs of a qualified school for
15 eligible special needs students which is accredited by
16 the State Board of Education or an accrediting
17 association approved by the Board pursuant to Section
18 3-104 of Title 70 of the Oklahoma Statutes;

19 4. "Low-income eligible student" means an eligible student or
20 eligible special needs student who qualifies for a free or reduced-
21 price lunch;

22 5. "Qualified school" means an elementary or secondary private
23 school in this state, including schools which provide
24 prekindergarten educational programs for four-year-olds, which:

- a. is accredited by the State Board of Education or an accrediting association approved by the Board pursuant to Section 3-104 of Title 70 of the Oklahoma Statutes,
- b. is in compliance with all applicable health and safety laws and codes,
- c. has a stated policy against discrimination in admissions on the basis of race, color, national origin or disability, and
- d. ensures academic accountability to parents and guardians of students through regular progress reports;

6. "Qualified school for eligible special needs students" means an elementary or secondary private school in a county in this state;

7. "Scholarship-granting organization" means an organization which:

- a. is a nonprofit entity exempt from taxation pursuant to the provisions of the Internal Revenue Code, 26 U.S.C., Section 501(c)(3),
- b. distributes periodic scholarship payments as checks made out to an eligible student's or eligible special needs student's parent or guardian and mailed to the qualified school where the student is enrolled,
- c. spends no more than ten percent (10%) of its annual revenue on expenditures other than educational

1 scholarships as defined in paragraph 3 of this
2 subsection,

3 d. spends each year a portion of its expenditures on
4 educational scholarships for low-income eligible
5 students, as defined in paragraph 4 of this
6 subsection, in an amount equal to or greater than the
7 percentage of low-income eligible students in the
8 state,

9 e. ensures that scholarships are portable during the
10 school year and can be used at any qualified school
11 that accepts the eligible student or at any qualified
12 school for special needs students that accepts the
13 eligible special needs student,

14 f. registers with the Oklahoma Tax Commission as a
15 scholarship-granting organization, and

16 g. has policies in place to:

17 (1) carry out criminal background checks on all
18 employees and board members to ensure that no
19 individual is involved with the organization who
20 might reasonably pose a risk to the appropriate
21 use of contributed funds, and

22 (2) maintain full and accurate records with respect
23 to the receipt of contributions and expenditures
24 of those contributions and supply such records

1 and any other documentation required by the Tax
2 Commission to demonstrate financial
3 accountability;

4 8. "Annual revenue" means the total amount or value of
5 contributions received by an organization from taxpayers awarded
6 credits during the organization's fiscal year and all amounts earned
7 from interest or investments;

8 9. "Public school" means public schools as defined in Section
9 1-106 of Title 70 of the Oklahoma Statutes;

10 10. "Eligible school" means any public school that is not
11 located within a ten-mile radius of a qualified school in this
12 state, or any public school that is located within a ten-mile radius
13 of a qualified school in this state but offers grade-level
14 instruction different from the qualified school or any public school
15 located within a public school district with fewer than four
16 thousand five hundred (4,500) students;

17 11. "Early childhood education program" means a program
18 provided to children who are at least four (4) years of age but not
19 more than five (5) years of age on or before September 1;

20 12. "Innovative educational program" means an advanced academic
21 or academic improvement program that is not part of the regular
22 coursework of a public school but that enhances the curriculum or
23 academic program of the school or provides early childhood education
24 programs to students;

1 13. "Educational improvement grant" means a grant to an
2 eligible public school to implement an innovative educational
3 program for students, including the ability for multiple public
4 schools to make an application and be awarded a grant to jointly
5 provide an innovative educational program; and

6 14. "Educational improvement grant organization" means an
7 organization which:

8 a. is a nonprofit entity exempt from taxation pursuant to
9 the provisions of the Internal Revenue Code, 26
10 U.S.C., Section 501(c)(3), and

11 b. contributes at least ninety percent (90%) of its
12 annual receipts as grants to eligible schools for
13 innovative educational programs. For purposes of this
14 subparagraph, an educational improvement grant
15 organization contributes its annual cash receipts when
16 it expends or otherwise irrevocably encumbers those
17 funds for expenditure during the then current fiscal
18 year of the organization or during the next succeeding
19 fiscal year of the organization.

20 G. Total credits authorized by this section shall be allocated
21 as follows:

22 1. By January 10 of the year immediately following each
23 calendar year, a scholarship-granting organization or an educational
24 improvement grant organization which accepts contributions pursuant

1 to this section shall provide electronically to the Tax Commission
2 information on each contribution accepted during such taxable year.
3 At least once each taxable year, the scholarship-granting
4 organization or the educational improvement grant organization shall
5 notify each contributor that Oklahoma law provides for a total,
6 statewide cap on the amount of income tax credits allowed annually;

7 2. a. If the Tax Commission determines the total combined
8 credits claimed for contributions made to scholarship-
9 granting organizations during the most recently
10 completed calendar year by all single individual
11 taxpayers and married individuals filing jointly are
12 in excess of One Million Seven Hundred Fifty Thousand
13 Dollars (\$1,750,000.00) for tax years ending prior to
14 January 1, 2013, and shall not exceed One Million Four
15 Hundred Thousand Dollars (\$1,400,000.00) annually for
16 tax years beginning on or after January 1, 2013, plus
17 any additional amount allocated pursuant to subsection
18 H of this section, the Tax Commission shall determine
19 the percentage of the contribution which establishes
20 the proportionate share of the credit which may be
21 claimed by any taxpayer so that the maximum credits
22 authorized by subparagraph a of paragraph 2 of
23 subsection B of this section are not exceeded.

24

1 b. If the Tax Commission determines the total combined
2 credits claimed for contributions made to scholarship-
3 granting organizations during the most recently
4 completed calendar year by all taxpayers not subject
5 to subparagraph a of this paragraph are in excess of
6 One Million Seven Hundred Fifty Thousand Dollars
7 (\$1,750,000.00) for tax years ending prior to January
8 1, 2013, and shall not exceed One Million Four Hundred
9 Thousand Dollars (\$1,400,000.00) annually for tax
10 years beginning on or after January 1, 2013, plus any
11 additional amount allocated pursuant to subsection H
12 of this section, the Tax Commission shall determine
13 the percentage of the contribution which establishes
14 the proportionate share of the credit which may be
15 claimed by any taxpayer so that the maximum credits
16 authorized by subparagraph b of paragraph 2 of
17 subsection B of this section are not exceeded.

18 c. If the Tax Commission determines the total combined
19 credits claimed for contributions made to educational
20 improvement grant organizations during the most
21 recently completed calendar year by all single
22 individual taxpayers, married individuals filing
23 jointly and all other taxpayers are in excess of One
24 Million Five Hundred Thousand Dollars (\$1,500,000.00)

1 for tax years ending prior to January 1, 2013, and
2 shall not exceed One Million Two Hundred Thousand
3 Dollars (\$1,200,000.00) annually for tax years
4 beginning on or after January 1, 2013, plus any
5 additional amount allocated pursuant to subsection H
6 of this section, the Tax Commission shall determine
7 the percentage of the contribution which establishes
8 the proportionate share of the credit which may be
9 claimed by any taxpayer so that the maximum credits
10 authorized by subparagraph a of paragraph 3 of
11 subsection C of this section are not exceeded; and

12 3. The Tax Commission shall publish the percentage of the
13 contribution which may be claimed as a credit by contributors for
14 the most recently completed calendar year on the Tax Commission
15 website no later than February 15 of each calendar year for
16 contributions made the previous year. Each scholarship-granting
17 organization or educational improvement grant organization shall
18 notify contributors of that amount annually.

19 H. The provisions of this subsection shall be applicable with
20 respect to any calendar year for which any one of the tax credit
21 pools is fully utilized and for which one or both of the remaining
22 tax credit pool amounts are not fully utilized.

23 1. If for any calendar year there is any amount of available
24 credit remaining pursuant to the provisions of paragraph 2 of

1 subsection G of this section, and only one of the other tax credit
2 pools has been fully utilized, the remaining amount from the tax
3 credit pool which was not fully utilized shall be allocated to and
4 added to the total tax credit pool amount for the other tax credit.

5 2. If for any calendar year there is any amount of available
6 credit remaining pursuant to the provisions of paragraph 2 of
7 subsection G of this section, and the other two tax credit pools
8 have both been fully utilized, the remaining amount from the tax
9 credit pool which was not fully utilized shall be divided by the
10 whole number two (2) and the resulting amount shall be allocated to
11 and added to the amount of available tax credits for each of the
12 other tax credit pools.

13 I. The credit authorized by this section shall not be used to
14 reduce the tax liability of the taxpayer to less than zero (0).

15 J. Any credits allowed but not used in any tax year may be
16 carried over, in order, to each of the three (3) years following the
17 year of qualification.

18 K. 1. In order to qualify under this section, an educational
19 improvement grant organization shall submit an application with
20 information to the Oklahoma Tax Commission on a form prescribed by
21 the Tax Commission that:

22 a. enables the Tax Commission to confirm that the
23 organization is a nonprofit entity exempt from
24

1 taxation pursuant to the provisions of the Internal
2 Revenue Code, 26 U.S.C., Section 501(c)(3), and

3 b. describes the proposed innovative educational program
4 or programs supported by the organization.

5 2. The Tax Commission shall review and approve or disapprove
6 the application, in consultation with the State Department of
7 Education.

8 3. In order to maintain eligibility under this section, an
9 educational improvement grant organization shall annually report the
10 following information to the Tax Commission by September 1 of each
11 year:

12 a. the name of the innovative educational program or
13 programs and the total amount of the grant or grants
14 made to those programs during the immediately preceding
15 school year,

16 b. a description of how each grant was utilized during the
17 immediately preceding school year and a description of
18 any demonstrated or expected innovative educational
19 improvements,

20 c. the names of the public school and school districts
21 where innovative educational programs that received
22 grants during the immediately preceding school year
23 were implemented,

1 d. where the organization collects information on a
2 county-by-county basis, and

3 e. the total number and total amount of grants made during
4 the immediately preceding school year for innovative
5 educational programs at public school by each county in
6 which the organization made grants.

7 4. The information required under paragraph 3 of this
8 subsection shall be submitted on a form provided by the Tax
9 Commission. No later than May 1 of each year, the Tax Commission
10 shall annually distribute sample forms together with the forms on
11 which the reports are required to be made to each approved
12 organization.

13 5. The Tax Commission shall not require any other information
14 be provided by an organization, except as expressly authorized in
15 this section.

16 L. In consultation with the State Department of Education, the
17 Tax Commission shall promulgate rules necessary to implement this
18 act. The rules shall include procedures for the registration of a
19 scholarship-granting organization or an educational improvement
20 grant organization for purposes of determining if the organization
21 meets the requirements of this act, for the revocation of the
22 registration of an organization, if applicable, and for notice as
23 required in subsection G of this section.

1 SECTION 27. AMENDATORY 68 O.S. 2011, Section 2358, is
2 amended to read as follows:

3 Section 2358. For all tax years beginning after December 31,
4 1981, taxable income and adjusted gross income shall be adjusted to
5 arrive at Oklahoma taxable income and Oklahoma adjusted gross income
6 as required by this section.

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

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

15 2. There shall be deducted amounts included in such income that
16 the state is prohibited from taxing because of the provisions of the
17 Federal Constitution, the State Constitution, federal laws or laws
18 of Oklahoma.

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

21 a. For carryovers and carrybacks to taxable years
22 beginning before January 1, 1981, the amount of any
23 net operating loss deduction allowed to a taxpayer for
24 federal income tax purposes shall be reduced to an

1 amount which is the same portion thereof as the loss
2 from sources within this state, as determined pursuant
3 to this section and Section 2362 of this title, for
4 the taxable year in which such loss is sustained is of
5 the total loss for such year;

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

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

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

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

22 b. Income from intangible personal property, such as
23 interest, dividends, patent or copyright royalties,
24 and gains or losses from sales of such property, shall

1 be allocated in accordance with the domiciliary situs
2 of the taxpayer, except that:

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

17 (2) for taxable years beginning after December 31,
18 2003, capital or ordinary gains or losses from
19 the sale of an ownership interest in a publicly
20 traded partnership, as defined by Section 7704(b)
21 of the Internal Revenue Code of 1986, as amended,
22 shall be allocated to this state in the ratio of
23 the original cost of such partnership's tangible
24 property in this state to the original cost of

1 such partnership's tangible property everywhere,
2 as determined at the time of the sale; if more
3 than fifty percent (50%) of the value of the
4 partnership's assets consists of intangible
5 assets, capital or ordinary gains or losses from
6 the sale of an ownership interest in the
7 partnership shall be allocated to this state in
8 accordance with the sales factor of the
9 partnership for its first full tax period
10 immediately preceding its tax period during which
11 the ownership interest in the partnership was
12 sold; the provisions of this division shall only
13 apply if the capital or ordinary gains or losses
14 from the sale of an ownership interest in a
15 partnership do not constitute qualifying gain
16 receiving capital treatment as defined in
17 subparagraph a of paragraph 2 of subsection F of
18 this section,

19 (3) income from such property which is required to be
20 allocated pursuant to the provisions of paragraph
21 5 of this subsection shall be allocated as herein
22 provided;

23 c. Net income or loss from a business activity which is
24 not a part of business carried on within or without

1 the state of a unitary character shall be separately
2 allocated to the state in which such activity is
3 conducted;

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

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

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

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

22 the Oklahoma net income shall, at the option of the
23 taxpayer, be that portion of the total net income of
24 the taxpayer for federal income tax purposes derived

1 from the manufacture and/or processing and sales
2 everywhere as determined by the ratio of the sales
3 defined in this section made to the purchaser within
4 the state to the total sales everywhere. The term
5 "public warehouse" as used in this subparagraph means
6 a licensed public warehouse, the principal business of
7 which is warehousing merchandise for the public;

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

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

1 considerations as reported for the taxable year
2 on the annual statement filed by the company with
3 the Insurance Commissioner in the form approved
4 by the National Association of Insurance
5 Commissioners, or such other form as may be
6 prescribed in lieu thereof,

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

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

13 5. The net income or loss remaining after the separate
14 allocation in paragraph 4 of this subsection, being that which is
15 derived from a unitary business enterprise, shall be apportioned to
16 this state on the basis of the arithmetical average of three factors
17 consisting of property, payroll and sales or gross revenue
18 enumerated as subparagraphs a, b and c of this paragraph. Net
19 income or loss as used in this paragraph includes that derived from
20 patent or copyright royalties, purchase discounts, and interest on
21 accounts receivable relating to or arising from a business activity,
22 the income from which is apportioned pursuant to this subsection,
23 including the sale or other disposition of such property and any
24 other property used in the unitary enterprise. Deductions used in

1 computing such net income or loss shall not include taxes based on
2 or measured by income. Provided, for corporations whose property
3 for purposes of the tax imposed by Section 2355 of this title has an
4 initial investment cost equaling or exceeding Two Hundred Million
5 Dollars (\$200,000,000.00) and such investment is made on or after
6 July 1, 1997, or for corporations which expand their property or
7 facilities in this state and such expansion has an investment cost
8 equaling or exceeding Two Hundred Million Dollars (\$200,000,000.00)
9 over a period not to exceed three (3) years, and such expansion is
10 commenced on or after January 1, 2000, the three factors shall be
11 apportioned with property and payroll, each comprising twenty-five
12 percent (25%) of the apportionment factor and sales comprising fifty
13 percent (50%) of the apportionment factor. The apportionment
14 factors shall be computed as follows:

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

22 (1) Property, the income from which is separately
23 allocated in paragraph 4 of this subsection,
24 shall not be included in determining this

1 fraction. The numerator of the fraction shall
2 include a portion of the investment in
3 transportation and other equipment having no
4 fixed situs, such as rolling stock, buses, trucks
5 and trailers, including machinery and equipment
6 carried thereon, airplanes, salespersons'
7 automobiles and other similar equipment, in the
8 proportion that miles traveled in Oklahoma by
9 such equipment bears to total miles traveled,

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

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

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

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

19 (2) In any case the numerator of the fraction shall
20 include a portion of such expenditures in
21 connection with itinerant employees, such as
22 traveling salespersons, in this state only a part
23 of the time, in the proportion that time spent in
24

1 Oklahoma bears to total time spent in furtherance
2 of the enterprise by such employees;

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

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

22 (2) In the case of a railroad or interurban railway
23 enterprise, the numerator of the fraction shall
24 not be less than the allocation of revenues to

1 this state as shown in its annual report to the
2 Corporation Commission.

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

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

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

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

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

16 6. For calendar years 1997 and 1998, the owner of a new or
17 expanded agricultural commodity processing facility in this state
18 may exclude from Oklahoma taxable income, or in the case of an
19 individual, the Oklahoma adjusted gross income, fifteen percent
20 (15%) of the investment by the owner in the new or expanded
21 agricultural commodity processing facility. For calendar year 1999,
22 and all subsequent years, the percentage, not to exceed fifteen
23 percent (15%), available to the owner of a new or expanded
24 agricultural commodity processing facility in this state claiming

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

17 For purposes of this paragraph:

- 18 a. "Agricultural commodity processing facility" means
19 building, structures, fixtures and improvements used
20 or operated primarily for the processing or production
21 of marketable products from agricultural commodities.
22 The term shall also mean a dairy operation that
23 requires a depreciable investment of at least Two
24 Hundred Fifty Thousand Dollars (\$250,000.00) and which

1 produces milk from dairy cows. The term does not
2 include a facility that provides only, and nothing
3 more than, storage, cleaning, drying or transportation
4 of agricultural commodities, and

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

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

11 (2) transporting the agricultural commodities or
12 product before, during or after the processing,
13 or

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

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

23 a. Sixty Thousand Dollars (\$60,000.00), or
24

1 b. the loss properly shown on Schedule F of the Internal
2 Revenue Service Form 1040 reduced by one-half (1/2) of
3 the income from all other sources other than reflected
4 on Schedule F.

5 8. In taxable years beginning after December 31, 1995, and
6 ending before January 1, 2013, all qualified wages equal to the
7 federal income tax credit set forth in 26 U.S.C.A., Section 45A,
8 shall be deducted from taxable income. The deduction allowed
9 pursuant to this paragraph shall only be permitted for the tax years
10 in which the federal tax credit pursuant to 26 U.S.C.A., Section
11 45A, is allowed. For purposes of this paragraph, "qualified wages"
12 means those wages used to calculate the federal credit pursuant to
13 26 U.S.C.A., Section 45A.

14 9. In taxable years beginning after December 31, 2005, and
15 ending before January 1, 2013, an employer that is eligible for and
16 utilizes the Safety Pays OSHA Consultation Service provided by the
17 Oklahoma Department of Labor shall receive an exemption from taxable
18 income in the amount of One Thousand Dollars (\$1,000.00) for the tax
19 year that the service is utilized.

20 10. For taxable years beginning on or after January 1, 2010,
21 there shall be added to Oklahoma taxable income an amount equal to
22 the amount of deferred income not included in such taxable income
23 pursuant to Section 108(i)(1) of the Internal Revenue Code of 1986
24 as amended by Section 1231 of the American Recovery and Reinvestment

1 Act of 2009 (P.L. No. 111-5). There shall be subtracted from
2 Oklahoma taxable income an amount equal to the amount of deferred
3 income included in such taxable income pursuant to Section 108(i)(1)
4 of the Internal Revenue Code of 1986, as amended by Section 1231 of
5 the American Recovery and Reinvestment Act of 2009 (P.L. No. 111-5).

6 B. 1. The taxable income of any corporation shall be further
7 adjusted to arrive at Oklahoma taxable income, except those
8 corporations electing treatment as provided in subchapter S of the
9 Internal Revenue Code, 26 U.S.C., Section 1361 et seq., and Section
10 2365 of this title, deductions pursuant to the provisions of the
11 Accelerated Cost Recovery System as defined and allowed in the
12 Economic Recovery Tax Act of 1981, Public Law 97-34, 26 U.S.C.,
13 Section 168, for depreciation of assets placed into service after
14 December 31, 1981, shall not be allowed in calculating Oklahoma
15 taxable income. Such corporations shall be allowed a deduction for
16 depreciation of assets placed into service after December 31, 1981,
17 in accordance with provisions of the Internal Revenue Code, 26
18 U.S.C., Section 1 et seq., in effect immediately prior to the
19 enactment of the Accelerated Cost Recovery System. The Oklahoma tax
20 basis for all such assets placed into service after December 31,
21 1981, calculated in this section shall be retained and utilized for
22 all Oklahoma income tax purposes through the final disposition of
23 such assets.

24

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

6 For assets placed in service and held by a corporation in which
7 accelerated cost recovery system was previously disallowed, an
8 adjustment to taxable income is required in the first taxable year
9 beginning after December 31, 1982, to reconcile the basis of such
10 assets to the basis allowed in the Internal Revenue Code. The
11 purpose of this adjustment is to equalize the basis and allowance
12 for depreciation accounts between that reported to the Internal
13 Revenue Service and that reported to Oklahoma.

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

20 C. 1. For taxable years beginning after December 31, 1987, and
21 ending before January 1, 2013, the taxable income of any corporation
22 shall be further adjusted to arrive at Oklahoma taxable income for
23 transfers of technology to qualified small businesses located in
24 Oklahoma. Such transferor corporation shall be allowed an exemption

1 from taxable income of an amount equal to the amount of royalty
2 payment received as a result of such transfer; provided, however,
3 such amount shall not exceed ten percent (10%) of the amount of
4 gross proceeds received by such transferor corporation as a result
5 of the technology transfer. Such exemption shall be allowed for a
6 period not to exceed ten (10) years from the date of receipt of the
7 first royalty payment accruing from such transfer. No exemption may
8 be claimed for transfers of technology to qualified small businesses
9 made prior to January 1, 1988.

10 2. For purposes of this subsection:

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

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

18 (2) Having at least fifty percent (50%) of its
19 employees and assets located in Oklahoma at the
20 time of the transfer, and

21 (3) Not a subsidiary or affiliate of the transferor
22 corporation;

23 b. "Technology" means a proprietary process, formula,
24 pattern, device or compilation of scientific or

1 technical information which is not in the public
2 domain;

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

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

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

17 2. As used in this subsection:

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

23 (1) the sale of real property or tangible personal
24 property located within Oklahoma that has been

1 directly or indirectly owned by the corporation,
2 estate or trust for a holding period of at least
3 five (5) years prior to the date of the
4 transaction from which such net capital gains
5 arise,

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

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

1 b. "holding period" means an uninterrupted period of
2 time. The holding period shall include any additional
3 period when the property was held by another
4 individual or entity, if such additional period is
5 included in the taxpayer's holding period for the
6 asset pursuant to the Internal Revenue Code,

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

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

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

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

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

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

23 E. The For taxable years beginning before January 1, 2013, if
24 otherwise authorized by Legislative enactment, Oklahoma adjusted

1 gross income of any individual taxpayer shall be further adjusted as
2 ~~follows~~ provided in this subsection, to arrive at Oklahoma taxable
3 income:

4 1. a. ~~In~~ Except as provided in this subparagraph, in the
5 case of individuals, there shall be added or deducted,
6 as the case may be, the difference necessary to allow
7 personal exemptions of One Thousand Dollars
8 (\$1,000.00) in lieu of the personal exemptions allowed
9 by the Internal Revenue Code. For tax year 2013 and
10 all subsequent tax years, for single individuals and
11 married individuals filing separately whose Oklahoma
12 adjusted gross income is greater than Thirty-five
13 Thousand Dollars (\$35,000.00) and for married
14 individuals filing jointly and surviving spouse, to
15 the extent and in the manner that a surviving spouse
16 is permitted to file a joint return under the
17 provisions of the Internal Revenue Code, and heads of
18 households as defined in the Internal Revenue Code,
19 whose Oklahoma adjusted gross income is greater than
20 Seventy Thousand Dollars (\$70,000.00), the exemption
21 shall be allowed.

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

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

9 c. ~~There~~ For tax years beginning before January 1, 2013,
10 there shall be allowed an additional exemption of One
11 Thousand Dollars (\$1,000.00) for each taxpayer or
12 spouse who is sixty-five (65) years of age or older at
13 the close of the tax year based upon the filing status
14 and federal adjusted gross income of the taxpayer.
15 Taxpayers with the following filing status may claim
16 this exemption if the federal adjusted gross income
17 does not exceed:

- 18 (1) Twenty-five Thousand Dollars (\$25,000.00) if
19 married and filing jointly;
- 20 (2) Twelve Thousand Five Hundred Dollars (\$12,500.00)
21 if married and filing separately;
- 22 (3) Fifteen Thousand Dollars (\$15,000.00) if single;
23 and
24

1 (4) Nineteen Thousand Dollars (\$19,000.00) if a
2 qualifying head of household.

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

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

1 the maximum amount of One Thousand Dollars
2 (\$1,000.00),

3 b. For taxable years beginning on or after January 1,
4 2006, and before January 1, 2007, 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 in lieu of the standard
9 deduction allowed by the Internal Revenue Code, in an
10 amount equal to:

- 11 (1) Three Thousand Dollars (\$3,000.00), if the filing
12 status is married filing joint, head of household
13 or qualifying widow; or
14 (2) Two Thousand Dollars (\$2,000.00), if the filing
15 status is single or married filing separate.

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

1 (1) Five Thousand Five Hundred Dollars (\$5,500.00),
2 if the filing status is married filing joint or
3 qualifying widow; or

4 (2) Four Thousand One Hundred Twenty-five Dollars
5 (\$4,125.00) for a head of household; or

6 (3) Two Thousand Seven Hundred Fifty Dollars
7 (\$2,750.00), if the filing status is single or
8 married filing separate.

9 d. For the taxable year beginning on January 1, 2008, and
10 ending December 31, 2008, in the case of individuals
11 who use the standard deduction in determining taxable
12 income, there shall be added or deducted, as the case
13 may be, the difference necessary to allow a standard
14 deduction in lieu of the standard deduction allowed by
15 the Internal Revenue Code, in an amount equal to:

16 (1) Six Thousand Five Hundred Dollars (\$6,500.00), if
17 the filing status is married filing joint or
18 qualifying widow, or

19 (2) Four Thousand Eight Hundred Seventy-five Dollars
20 (\$4,875.00) for a head of household, or

21 (3) Three Thousand Two Hundred Fifty Dollars
22 (\$3,250.00), if the filing status is single or
23 married filing separate.
24

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

- 8 (1) Eight Thousand Five Hundred Dollars (\$8,500.00),
9 if the filing status is married filing joint or
10 qualifying widow, or
11 (2) Six Thousand Three Hundred Seventy-five Dollars
12 (\$6,375.00) for a head of household, or
13 (3) Four Thousand Two Hundred Fifty Dollars
14 (\$4,250.00), if the filing status is single or
15 married filing separate.

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

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

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

5 3. In the case of resident and part-year resident individuals
6 having adjusted gross income from sources both within and without
7 the state, the itemized or standard deductions and personal
8 exemptions shall be reduced to an amount which is the same portion
9 of the total thereof as Oklahoma adjusted gross income is of
10 adjusted gross income. To the extent itemized deductions include
11 allowable moving expense, proration of moving expense shall not be
12 required or permitted but allowable moving expense shall be fully
13 deductible for those taxpayers moving within or into Oklahoma and no
14 part of moving expense shall be deductible for those taxpayers
15 moving without or out of Oklahoma. All other itemized or standard
16 deductions and personal exemptions shall be subject to proration as
17 provided by law.

18 4. A resident individual with a physical disability
19 constituting a substantial handicap to employment may deduct from
20 Oklahoma adjusted gross income such expenditures to modify a motor
21 vehicle, home or workplace as are necessary to compensate for his or
22 her handicap. A veteran certified by the Department of Veterans
23 Affairs of the federal government as having a service-connected
24 disability shall be conclusively presumed to be an individual with a

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

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

12 b. On or after July 1, 2010, and ending before January 1,
13 2015, one hundred percent (100%) of the income
14 received by any person from the United States as
15 salary or compensation in any form, other than
16 retirement benefits, as a member of any component of
17 the Armed Forces of the United States shall be
18 deducted from taxable income.

19 c. For the taxable year beginning on January 1, 2015, and
20 every year thereafter, if the State Board of
21 Equalization makes a determination pursuant to Section
22 2355.1D of this title that, for the purposes of this
23 paragraph, revenue collections exceed revenue
24 reductions, the one hundred percent (100%) deduction

1 provided for in subparagraph b of this paragraph may
2 be claimed.

3 d. For the taxable year beginning on January 1, 2015, and
4 every year thereafter, if the State Board of
5 Equalization makes a determination pursuant to Section
6 2355.1D of this title that, for the purposes of this
7 paragraph, revenue collections do not exceed revenue
8 reductions, a deduction of the first One Thousand Five
9 Hundred Dollars (\$1,500.00) received by any person
10 from the United States as salary or compensation in
11 any form, other than retirement benefits, as a member
12 of any component of the Armed Forces of the United
13 States shall be allowed.

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

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

21 (2) absence from the State of Oklahoma while on
22 active duty; or
23
24

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 shall
5 be and is hereby extended without incurring liability for
6 interest or penalties, to the fifteenth day of the third
7 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 of this paragraph, return
11 to the State of Oklahoma if the extension is
12 granted pursuant to subparagraph b of this
13 paragraph or be discharged from such
14 hospital if the extension is granted
15 pursuant to subparagraph c of this
16 paragraph; or

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

20 Provided, that the Tax Commission may, in its discretion, grant
21 any member of the Armed Forces of the United States an extension of
22 time for filing of income tax returns and payment of income tax
23 without incurring liabilities for interest or penalties. Such
24 extension may be granted only when in the judgment of the Tax

1 Commission a good cause exists therefor and may be for a period in
2 excess of six (6) months. A record of every such extension granted,
3 and the reason therefor, shall be kept.

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

12 7. Notwithstanding anything in the Internal Revenue Code ~~or in~~
13 ~~the Oklahoma Income Tax Act~~ to the contrary, it is expressly
14 provided that, in the case of resident individuals, amounts received
15 as dividends or distributions of earnings from savings and loan
16 associations or credit unions located in Oklahoma, and interest
17 received on savings accounts and time deposits from such sources or
18 from state and national banks or trust companies located in
19 Oklahoma, shall qualify as dividends for the purpose of the dividend
20 exclusion, and taxable income shall be adjusted accordingly to
21 arrive at Oklahoma taxable income; provided, however, that the
22 dividend, distribution of earnings and/or interest exclusion
23 provided for hereinabove shall not be cumulative to the maximum
24 dividend exclusion allowed by the Internal Revenue Code. Any

1 dividend exclusion already allowed by the Internal Revenue Code and
2 reflected in the taxpayer's Oklahoma taxable income together with
3 exclusion allowed herein shall not exceed the total of One Hundred
4 Dollars (\$100.00) per individual or Two Hundred Dollars (\$200.00)
5 per couple filing a joint return for tax years before January 1,
6 2013.

7 8. a. An individual taxpayer, whether resident or
8 nonresident, may deduct an amount equal to the federal
9 income taxes paid by the taxpayer during the taxable
10 year.

11 b. Federal taxes as described in subparagraph a of this
12 paragraph shall be deductible by any individual
13 taxpayer, whether resident or nonresident, only to the
14 extent they relate to income subject to taxation
15 pursuant to the provisions of the Oklahoma Income Tax
16 Act. The maximum amount allowable in the preceding
17 paragraph shall be prorated on the ratio of the
18 Oklahoma adjusted gross income to federal adjusted
19 gross income.

20 c. For the purpose of this paragraph, "federal income
21 taxes paid" shall mean federal income taxes, surtaxes
22 imposed on incomes or excess profits taxes, as though
23 the taxpayer was on the accrual basis. In determining
24 the amount of deduction for federal income taxes for

1 tax year 2001, the amount of the deduction shall not
2 be adjusted by the amount of any accelerated ten
3 percent (10%) tax rate bracket credit or advanced
4 refund of the credit received during the tax year
5 provided pursuant to the federal Economic Growth and
6 Tax Relief Reconciliation Act of 2001, P.L. No. 107-
7 16, and the advanced refund of such credit shall not
8 be subject to taxation.

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

12 9. Retirement benefits not to exceed Five Thousand Five Hundred
13 Dollars (\$5,500.00) for the 2004 tax year, Seven Thousand Five
14 Hundred Dollars (\$7,500.00) for the 2005 tax year and Ten Thousand
15 Dollars (\$10,000.00) for the 2006 tax year and all subsequent tax
16 years, which are received by an individual from the civil service of
17 the United States, the Oklahoma Public Employees Retirement System,
18 the Teachers' Retirement System of Oklahoma, the Oklahoma Law
19 Enforcement Retirement System, the Oklahoma Firefighters Pension and
20 Retirement System, the Oklahoma Police Pension and Retirement
21 System, the employee retirement systems created by counties pursuant
22 to Section 951 et seq. of Title 19 of the Oklahoma Statutes, the
23 Uniform Retirement System for Justices and Judges, the Oklahoma
24 Wildlife Conservation Department Retirement Fund, the Oklahoma

1 Employment Security Commission Retirement Plan, or the employee
2 retirement systems created by municipalities pursuant to Section 48-
3 101 et seq. of Title 11 of the Oklahoma Statutes shall be exempt
4 from taxable income.

5 10. In taxable years beginning after December 31, 1984, Social
6 Security benefits received by an individual shall be exempt from
7 taxable income, to the extent such benefits are included in the
8 federal adjusted gross income pursuant to the provisions of Section
9 86 of the Internal Revenue Code, 26 U.S.C., Section 86.

10 11. For taxable years beginning after December 31, 1994, lump-
11 sum distributions from employer plans of deferred compensation,
12 which are not qualified plans within the meaning of Section 401(a)
13 of the Internal Revenue Code, 26 U.S.C., Section 401(a), and which
14 are deposited in and accounted for within a separate bank account or
15 brokerage account in a financial institution within this state,
16 shall be excluded from taxable income in the same manner as a
17 qualifying rollover contribution to an individual retirement account
18 within the meaning of Section 408 of the Internal Revenue Code, 26
19 U.S.C., Section 408. Amounts withdrawn from such bank or brokerage
20 account, including any earnings thereon, shall be included in
21 taxable income when withdrawn in the same manner as withdrawals from
22 individual retirement accounts within the meaning of Section 408 of
23 the Internal Revenue Code.

24

1 12. In taxable years beginning after December 31, 1995, and
2 ending on or before December 1, 2012, contributions made to and
3 interest received from a medical savings account established
4 pursuant to ~~Sections 2621 through 2623 of Title 63 of the Oklahoma~~
5 ~~Statutes~~ the Medical Savings Account Act shall be exempt from
6 taxable income.

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

19 14. a. In taxable years beginning after December 31, 2002,
20 nonrecurring adoption expenses paid by a resident
21 individual taxpayer in connection with:
22 (1) the adoption of a minor, or
23 (2) a proposed adoption of a minor which did not
24 result in a decreed adoption,

1 may be deducted from the Oklahoma adjusted gross
2 income.

3 b. The deductions for adoptions and proposed adoptions
4 authorized by this paragraph shall not exceed Twenty
5 Thousand Dollars (\$20,000.00) per calendar year.

6 c. The Tax Commission shall promulgate rules to implement
7 the provisions of this paragraph which shall contain a
8 specific list of nonrecurring adoption expenses which
9 may be presumed to qualify for the deduction. The Tax
10 Commission shall prescribe necessary requirements for
11 verification.

12 d. "Nonrecurring adoption expenses" means adoption fees,
13 court costs, medical expenses, attorney fees and
14 expenses which are directly related to the legal
15 process of adoption of a child including, but not
16 limited to, costs relating to the adoption study,
17 health and psychological examinations, transportation
18 and reasonable costs of lodging and food for the child
19 or adoptive parents which are incurred to complete the
20 adoption process and are not reimbursed by other
21 sources. The term "nonrecurring adoption expenses"
22 shall not include attorney fees incurred for the
23 purpose of litigating a contested adoption, from and
24 after the point of the initiation of the contest,

1 costs associated with physical remodeling, renovation
2 and alteration of the adoptive parents' home or
3 property, except for a special needs child as
4 authorized by the court.

5 15. a. In taxable years beginning before January 1, 2005,
6 retirement benefits not to exceed the amounts
7 specified in this paragraph, which are received by an
8 individual sixty-five (65) years of age or older and
9 whose Oklahoma adjusted gross income is Twenty-five
10 Thousand Dollars (\$25,000.00) or less if the filing
11 status is single, head of household, or married filing
12 separate, or Fifty Thousand Dollars (\$50,000.00) or
13 less if the filing status is married filing joint or
14 qualifying widow, shall be exempt from taxable income.
15 In taxable years beginning after December 31, 2004,
16 retirement benefits not to exceed the amounts
17 specified in this paragraph, which are received by an
18 individual whose Oklahoma adjusted gross income is
19 less than the qualifying amount specified in this
20 paragraph, shall be exempt from taxable income.

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

23 (1) in taxable years beginning after December 31,
24 2004, and prior to January 1, 2007, the

1 qualifying amount shall be Thirty-seven Thousand
2 Five Hundred Dollars (\$37,500.00) or less if the
3 filing status is single, head of household, or
4 married filing separate, or Seventy-Five Thousand
5 Dollars (\$75,000.00) or less if the filing status
6 is married filing jointly or qualifying widow,

7 (2) in the taxable year beginning January 1, 2007,
8 the qualifying amount shall be Fifty Thousand
9 Dollars (\$50,000.00) or less if the filing status
10 is single, head of household, or married filing
11 separate, or One Hundred Thousand Dollars
12 (\$100,000.00) or less if the filing status is
13 married filing jointly or qualifying widow,

14 (3) in the taxable year beginning January 1, 2008,
15 the qualifying amount shall be Sixty-two Thousand
16 Five Hundred Dollars (\$62,500.00) or less if the
17 filing status is single, head of household, or
18 married filing separate, or One Hundred Twenty-
19 five Thousand Dollars (\$125,000.00) or less if
20 the filing status is married filing jointly or
21 qualifying widow,

22 (4) in the taxable year beginning January 1, 2009,
23 the qualifying amount shall be One Hundred
24 Thousand Dollars (\$100,000.00) or less if the

1 filing status is single, head of household, or
2 married filing separate, or Two Hundred Thousand
3 Dollars (\$200,000.00) or less if the filing
4 status is married filing jointly or qualifying
5 widow, and

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

9 c. For purposes of this paragraph, "retirement benefits"
10 means the total distributions or withdrawals from the
11 following:

12 (1) an employee pension benefit plan which satisfies
13 the requirements of Section 401 of the Internal
14 Revenue Code, 26 U.S.C., Section 401,

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

18 (3) an individual retirement account, annuity or
19 trust or simplified employee pension that
20 satisfies the requirements of Section 408 of the
21 Internal Revenue Code, 26 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 Code, 26 U.S.C., Section 403(a) or (b),

1 (5) United States Retirement Bonds which satisfy the
2 requirements of Section 86 of the Internal
3 Revenue Code, 26 U.S.C., Section 86, or

4 (6) lump-sum distributions from a retirement plan
5 which satisfies the requirements of Section
6 402(e) of the Internal Revenue Code, 26 U.S.C.,
7 Section 402(e).

8 d. The amount of the exemption provided by this paragraph
9 shall be limited to Five Thousand Five Hundred Dollars
10 (\$5,500.00) for the 2004 tax year, Seven Thousand Five
11 Hundred Dollars (\$7,500.00) for the 2005 tax year and
12 Ten Thousand Dollars (\$10,000.00) for the tax year
13 2006 and for all subsequent tax years. Any individual
14 who claims the exemption provided for in paragraph 9
15 of this subsection shall not be permitted to claim a
16 combined total exemption pursuant to this paragraph
17 and paragraph 9 of this subsection in an amount
18 exceeding Five Thousand Five Hundred Dollars
19 (\$5,500.00) for the 2004 tax year, Seven Thousand Five
20 Hundred Dollars (\$7,500.00) for the 2005 tax year and
21 Ten Thousand Dollars (\$10,000.00) for the 2006 tax
22 year and all subsequent tax years.

23 16. In taxable years beginning after December 31, 1999, and
24 ending on or before December 31, 2012, for an individual engaged in

1 production agriculture who has filed a Schedule F form with the
2 taxpayer's federal income tax return for such taxable year, there
3 shall be excluded from taxable income any amount which was included
4 as federal taxable income or federal adjusted gross income and which
5 consists of the discharge of an obligation by a creditor of the
6 taxpayer incurred to finance the production of agricultural
7 products.

8 17. In taxable years beginning December 31, 2000, and ending on
9 or before December 31, 2012, an amount equal to one hundred percent
10 (100%) of the amount of any scholarship or stipend received from
11 participation in the Oklahoma Police Corps Program, as established
12 in Section 2-140.3 of Title 47 of the Oklahoma Statutes shall be
13 exempt from taxable income.

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

23 b. In taxable years beginning after December 31, 2004,
24 and ending on or before December 31, 2012, each

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

23 c. In taxable years beginning after December 31, 2006,
24 deductions for contributions made pursuant to

1 subparagraph b of this paragraph shall be limited as
2 follows:

3 (1) for a taxpayer who qualified for the five-year
4 carryforward election and who takes a rollover or
5 nonqualified withdrawal during that period, the
6 tax deduction otherwise available pursuant to
7 subparagraph b of this paragraph shall be reduced
8 by the amount which is equal to the rollover or
9 nonqualified withdrawal, and

10 (2) for a taxpayer who elects to take a rollover or
11 nonqualified withdrawal within the same tax year
12 in which a contribution was made to the
13 taxpayer's account, the tax deduction otherwise
14 available pursuant to subparagraph b of this
15 paragraph shall be reduced by the amount of the
16 contribution which is equal to the rollover or
17 nonqualified withdrawal.

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

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

7 f. As used in this paragraph:

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

11 (a) a qualified withdrawal,

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

15 (c) a withdrawal that is made on the account of
16 a scholarship or the allowance or payment
17 described in Section 135(d)(1)(B) or (C) or
18 by the Internal Revenue Code, received by
19 the designated beneficiary to the extent the
20 amount of the refund does not exceed the
21 amount of the scholarship, allowance, or
22 payment, or

23 (d) a rollover or change of designated
24 beneficiary as permitted by subsection F of

1 Section 3970.7 of Title 70 of Oklahoma
2 Statutes, and

3 (2) "rollover" means the transfer of funds from the
4 Oklahoma College Savings Plan to any other plan
5 under Section 529 of the Internal Revenue Code.

6 19. For taxable years beginning after December 31, 2005,
7 retirement benefits received by an individual from any component of
8 the Armed Forces of the United States in an amount not to exceed the
9 greater of seventy-five percent (75%) of such benefits or Ten
10 Thousand Dollars (\$10,000.00) shall be exempt from taxable income
11 but in no case less than the amount of the exemption provided by
12 paragraph 15 of this subsection.

13 20. For taxable years beginning after December 31, 2006,
14 retirement benefits received by federal civil service retirees,
15 including survivor annuities, paid in lieu of Social Security
16 benefits shall be exempt from taxable income to the extent such
17 benefits are included in the federal adjusted gross income pursuant
18 to the provisions of Section 86 of the Internal Revenue Code, 26
19 U.S.C., Section 86, according to the following schedule:

- 20 a. in the taxable year beginning January 1, 2007, twenty
21 percent (20%) of such benefits shall be exempt,
22 b. in the taxable year beginning January 1, 2008, forty
23 percent (40%) of such benefits shall be exempt,
24

- 1 c. in the taxable year beginning January 1, 2009, sixty
2 percent (60%) of such benefits shall be exempt,
3 d. in the taxable year beginning January 1, 2010, eighty
4 percent (80%) of such benefits shall be exempt, and
5 e. in the taxable year beginning January 1, 2011, and
6 subsequent taxable years, one hundred percent (100%)
7 of such benefits shall be exempt.

8 21. a. For taxable years beginning after December 31, 2007,
9 and ending on or before December 31, 2012, a resident
10 individual may deduct up to Ten Thousand Dollars
11 (\$10,000.00) from Oklahoma adjusted gross income if
12 the individual, or the dependent of the individual,
13 while living, donates one or more human organs of the
14 individual to another human being for human organ
15 transplantation. As used in this paragraph, "human
16 organ" means all or part of a liver, pancreas, kidney,
17 intestine, lung, or bone marrow. A deduction that is
18 claimed under this paragraph may be claimed in the
19 taxable year in which the human organ transplantation
20 occurs.

21 b. An individual may claim this deduction only once, and
22 the deduction may be claimed only for unreimbursed
23 expenses that are incurred by the individual and
24 related to the organ donation of the individual.

1 c. The Oklahoma Tax Commission shall promulgate rules to
2 implement the provisions of this paragraph which shall
3 contain a specific list of expenses which may be
4 presumed to qualify for the deduction. The Tax
5 Commission shall prescribe necessary requirements for
6 verification.

7 22. For taxable years beginning after December 31, 2009, there
8 shall be exempt from taxable income any amount received by the
9 beneficiary of the death benefit for an emergency medical technician
10 or a registered emergency medical responder provided by Section 1-
11 2505.1 of Title 63 of the Oklahoma Statutes.

12 23. For taxable years beginning after December 31, 2008,
13 taxable income shall be increased by any unemployment compensation
14 exempted under Section 85 (c) of the Internal Revenue Code, 26
15 U.S.C., Section 85(c)(2009).

16 24. For taxable years beginning after December 31, 2008, and
17 ending on or before December 31, 2012, there shall be exempt from
18 taxable income any payment in an amount less than Six Hundred
19 Dollars (\$600.00) received by a person as an award for participation
20 in a competitive livestock show event. For purposes of this
21 paragraph, the payment shall be treated as a scholarship amount paid
22 by the entity sponsoring the event and the sponsoring entity shall
23 cause the payment to be categorized as a scholarship in its books
24 and records.

1 25. For the taxable year beginning after December 31, 2012,
2 taxable income shall be increased by fifty percent (50%) of any
3 amount of state and local taxes deducted under Section 164 of the
4 Internal Revenue Code, 26 U.S.C., Section 164. For all taxable
5 years beginning after December 31, 2013, taxable income shall be
6 increased by any amount of state and local taxes deducted under
7 Section 164 of the Internal Revenue Code, 26 U.S.C., Section 164.

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

13 2. As used in this subsection:

14 a. "qualifying gains receiving capital treatment" means
15 the amount of net capital gains, as defined in Section
16 1222(11) of the Internal Revenue Code, included in an
17 individual taxpayer's federal income tax return that
18 result from:

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

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

10 (3) the sale of real property, tangible personal
11 property or intangible personal property located
12 within Oklahoma as part of the sale of all or
13 substantially all of the assets of an Oklahoma
14 company, limited liability company, or
15 partnership or an Oklahoma proprietorship
16 business enterprise where such property has been
17 directly or indirectly owned by such entity or
18 business enterprise or owned by the owners of
19 such entity or business enterprise for a period
20 of at least two (2) years prior to the date of
21 the transaction from which the net capital gains
22 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,

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

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

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

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

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

6 (2) With respect to sales of stock or ownership
7 interest in or sales of all or substantially all
8 of the assets of an Oklahoma company, limited
9 liability company, partnership or Oklahoma
10 proprietorship business enterprise, 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 for
14 not less than two (2) uninterrupted years prior
15 to the date of the transaction that created the
16 capital gain, and each pass-through entity
17 included in the chain of ownership has been a
18 member, partner or shareholder of the pass-
19 through entity in the tier immediately below it
20 for an uninterrupted period of not less than two
21 (2) years. For purposes of this division,
22 uninterrupted ownership prior to the effective
23 date of this act shall be included in the
24

1 determination of the required holding period
2 prescribed by this division, and

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

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

18 2. For purposes of computing its Oklahoma taxable income under
19 this section, a taxpayer shall add back otherwise deductible rents
20 and interest expenses paid to a captive real estate investment trust
21 that is not subject to the provisions of paragraph 1 of this
22 subsection. As used in this subsection:
23
24

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

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

12 (1) treated as an association taxable as a
13 corporation under the Internal Revenue Code of
14 1986, as amended, and

15 (2) not exempt from federal income tax pursuant to
16 the provisions of Section 501(a) of the Internal
17 Revenue Code of 1986, as amended.

18 The term shall not include a real estate investment
19 trust that is intended to be regularly traded on an
20 established securities market, and that satisfies the
21 requirements of Section 856(a)(5) and (6) of the U.S.
22 Internal Revenue Code by reason of Section 856(h)(2)
23 of the Internal Revenue Code,
24

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

3 (1) any real estate investment trust as defined in
4 paragraph a of this subsection other than a
5 "captive real estate investment trust", or

6 (2) any qualified real estate investment trust
7 subsidiary under Section 856(i) of the Internal
8 Revenue Code of 1986, as amended, other than a
9 qualified REIT subsidiary of a "captive real
10 estate investment trust", or

11 (3) any Listed Australian Property Trust (meaning an
12 Australian unit trust registered as a "Managed
13 Investment Scheme" under the Australian
14 Corporations Act in which the principal class of
15 units is listed on a recognized stock exchange in
16 Australia and is regularly traded on an
17 established securities market), or an entity
18 organized as a trust, provided that a Listed
19 Australian Property Trust owns or controls,
20 directly or indirectly, seventy-five percent
21 (75%) or more of the voting power or value of the
22 beneficial interests or shares of such trust, or
23 (4) any Qualified Foreign Entity, meaning a
24 corporation, trust, association or partnership

1 organized outside the laws of the United States
2 and which satisfies the following criteria:

3 (a) at least seventy-five percent (75%) of the
4 entity's total asset value at the close of
5 its taxable year is represented by real
6 estate assets, as defined in Section
7 856(c)(5)(B) of the Internal Revenue Code of
8 1986, as amended, thereby including shares
9 or certificates of beneficial interest in
10 any real estate investment trust, cash and
11 cash equivalents, and U.S. Government
12 securities,

13 (b) the entity receives a dividend-paid
14 deduction comparable to Section 561 of the
15 Internal Revenue Code of 1986, as amended,
16 or is exempt from entity level tax,

17 (c) the entity is required to distribute at
18 least eighty-five percent (85%) of its
19 taxable income, as computed in the
20 jurisdiction in which it is organized, to
21 the holders of its shares or certificates of
22 beneficial interest on an annual basis,

23 (d) not more than ten percent (10%) of the
24 voting power or value in such entity is held

1 directly or indirectly or constructively by
2 a single entity or individual, or the shares
3 or beneficial interests of such entity are
4 regularly traded on an established
5 securities market, and

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

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

13 4. A real estate investment trust that does not become
14 regularly traded on an established securities market within one (1)
15 year of the date on which it first becomes a real estate investment
16 trust shall be deemed not to have been regularly traded on an
17 established securities market, retroactive to the date it first
18 became a real estate investment trust, and shall file an amended
19 return reflecting such retroactive designation for any tax year or
20 part year occurring during its initial year of status as a real
21 estate investment trust. For purposes of this subsection, a real
22 estate investment trust becomes a real estate investment trust on
23 the first day it has both met the requirements of Section 856 of the
24 Internal Revenue Code and has elected to be treated as a real estate

1 investment trust pursuant to Section 856(c)(1) of the Internal
2 Revenue Code.

3 SECTION 28. AMENDATORY 68 O.S. 2011, Section 2358.3, is
4 amended to read as follows:

5 Section 2358.3. A person who contributes money to a political
6 party or to a candidate or candidate committee shall be entitled to
7 deduct the amount contributed, not to exceed One Hundred Dollars
8 (\$100.00) in any one tax year for tax years beginning before January
9 1, 2013, from the person's adjusted gross income in the computation
10 of Oklahoma income tax.

11 SECTION 29. AMENDATORY 68 O.S. 2011, Section 2370, is
12 amended to read as follows:

13 Section 2370. A. For taxable years beginning after December
14 31, 1989, for the privilege of doing business within this state,
15 every state banking association, national banking association and
16 credit union organized under the laws of this state, located or
17 doing business within the limits of the State of Oklahoma shall
18 annually pay to this state a privilege tax at the rate of six
19 percent (6%) of the amount of the taxable income as provided in this
20 section.

21 B. 1. The privilege tax levied by this section shall be in
22 addition to the Business Activity Tax levied in Section 1218 of this
23 title and the franchise tax levied in Article 12 of this title and
24 in lieu of the tax levied by Section 2355 of this title and in lieu

1 of all taxes levied by the State of Oklahoma, or any subdivision
2 thereof, upon the shares of stock or personal property of any
3 banking association or credit union subject to taxation under this
4 section.

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

11 3. Personal property which is subject to a lease agreement
12 between a bank or credit union, as lessor, and a nonbanking business
13 entity or individual, as lessee, is not exempt from personal
14 property ad valorem taxation. Provided further, that it shall be
15 the duty of the lessee of such personal property to return sworn
16 lists or schedules of their taxable property within each county to
17 the county assessor of such county as provided in Sections 2433 and
18 2434 of this title.

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

1 additional deduction enuring to the benefit of the taxpayer shall be
2 deducted in accordance with the optional transitional deduction
3 procedures in Section 2354 of this title.

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

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

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

20 E. 1. Except as otherwise provided in paragraph 2 of this
21 subsection, there shall be allowed a credit against the tax levied
22 in subsection A of this section in an amount equal to the amount of
23 taxable income received by a participating financial institution as
24 defined in Section 90.2 of Title 62 of the Oklahoma Statutes

1 pursuant to a loan made under the Rural Economic Development Loan
2 Act. Such credit shall be limited each year to five percent (5%) of
3 the amount of annual payroll certified by the Oklahoma Rural
4 Economic Development Loan Program Review Board pursuant to the
5 provisions of paragraph 3 of subsection B of Section 90.4 of Title
6 62 of the Oklahoma Statutes with respect to the loan made by the
7 participating financial institution and may be claimed for any
8 number of years necessary until the amount of total credits claimed
9 is equal to the total amount of taxable income received by the
10 participating financial institution pursuant to the loan. Any
11 credit allowed but not used in a taxable year may be carried forward
12 for a period not to exceed five (5) taxable years. In no event
13 shall a credit allowed pursuant to the provisions of this subsection
14 be transferable or refundable.

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

24

1 SECTION 30. AMENDATORY 68 O.S. 2011, Section 2370.3, is
2 amended to read as follows:

3 Section 2370.3. A. There shall be allowed a credit against the
4 tax imposed by Section 2370 of ~~Title 68 of the Oklahoma Statutes~~
5 this title for any state banking association, national banking
6 association, or credit union domiciled in this state for the amount
7 of the origination fee paid by the banking association or credit
8 union to the United States Department of Education pursuant to the
9 "Stafford" loan guaranty program for an Oklahoma resident.

10 B. Except as provided in subsection F of this section, the
11 credit authorized by this section may be claimed for origination
12 fees paid on or after July 1, 2007.

13 C. No credit may be claimed pursuant to this section if,
14 pursuant to the agreement between the banking association or credit
15 union and the student to which proceeds are made available, the
16 banking association or credit union adds the amount of the U.S.
17 Department of Education origination fee to the amount financed by
18 the borrower or in any other way recovers the origination fee amount
19 from the borrower.

20 D. The credit authorized by this section may be claimed, and if
21 not fully used in the initial year for which the credit is claimed,
22 may be carried over, in order, to each of the five (5) succeeding
23 taxable years. The credit authorized by this section may not be
24

1 used to reduce the tax liability of the credit claimant below zero
2 (0).

3 E. The Oklahoma Tax Commission shall prepare a report regarding
4 the amount of tax credits claimed as authorized by this section.
5 The report shall be submitted to the Speaker of the House of
6 Representatives and to the President Pro Tempore of the Senate not
7 later than March 31 of each year.

8 F. No credit otherwise authorized by the provisions of this
9 section may be claimed for any event, transaction, investment,
10 expenditure or other act occurring on or after July 1, 2010, ~~for~~
11 ~~which the credit would otherwise be allowable. The provisions of~~
12 ~~this subsection shall cease to be operative on July 1, 2012.~~
13 ~~Beginning July 1, 2012, the credit authorized by this section may be~~
14 ~~claimed for any event, transaction, investment, expenditure or other~~
15 ~~act occurring on or after July 1, 2012, according to the provisions~~
16 ~~of this section.~~

17 SECTION 31. AMENDATORY 68 O.S. 2011, Section 2911, is
18 amended to read as follows:

19 Section 2911. Claims for property tax relief filed under
20 Sections 104 through 111 of this act shall be allowed as a direct
21 tax credit on the taxpayer's individual income tax return filed for
22 the calendar year 1991 and each year thereafter. In all cases ~~where~~
23 ~~claimants have no income tax liability or~~ where the property tax
24 relief authorized by this act exceeds the claimant's income tax

1 liability, such claim, or any balance thereof, shall be paid out in
2 the same manner and out of the same fund as refunds of income taxes
3 are paid and so much of said fund as is necessary for such purposes
4 is hereby appropriated.

5 SECTION 32. AMENDATORY 68 O.S. 2011, Section 3624, is
6 amended to read as follows:

7 Section 3624. A. There is hereby created the Oklahoma Film
8 Enhancement Rebate Program. A rebate in the amount of up to
9 seventeen percent (17%) of documented expenditures made in Oklahoma
10 directly attributable to the production of a film, television
11 production, or television commercial, as defined in Section 3623 of
12 this title, in this state, may be paid to the production company
13 responsible for the production. Provided, for documented
14 expenditures made ~~after~~:

15 1. On or after July 1, 2009, and before January 1, 2013, the
16 rebate amount shall be thirty-five percent (35%), except as provided
17 in subsection B of this section; and

18 2. On or after January 1, 2013, the rebate amount shall be
19 twenty-eight percent (28%), except as provided in subsection B of
20 this section.

21 B. 1. The amount of rebate paid to the production company as
22 provided for in subsection A of this section shall be increased by
23 an additional two percent (2%) of documented expenditures if a
24 production company spends at least Twenty Thousand Dollars

1 (\$20,000.00) for the use of music created by an Oklahoma resident
2 that is recorded in Oklahoma or for the cost of recording songs or
3 music in Oklahoma for use in the production.

4 C. The rebate program shall be administered by the Office of
5 the Oklahoma Film and Music Commission and the Oklahoma Tax
6 Commission, as provided in the Compete with Canada Film Act.

7 D. To be eligible for a rebate payment:

8 1. The production company responsible for a film, television
9 production, or television commercial, as defined in Section 3623 of
10 this title, made in this state shall submit documentation to the
11 Office of the Oklahoma Film and Music Commission of the amount of
12 wages paid for employment in this state to residents of this state
13 directly relating to the production and the amount of other
14 production costs incurred in this state directly relating to the
15 production;

16 2. The production company has filed or will file any Oklahoma
17 tax return or tax document which may be required by law;

18 3. Except major studio productions, the production company
19 shall provide the name of the completion guarantor and a copy of the
20 bond guaranteeing the completion of the project or if a film has not
21 secured a completion bond, the production company shall provide
22 evidence that all Oklahoma crew and local vendors have been paid and
23 there are no liens against the production company pending in the
24 state;

1 4. The minimum budget for the film shall be Fifty Thousand
2 Dollars (\$50,000.00) of which not less than Twenty-five Thousand
3 Dollars (\$25,000.00) shall be expended in this state;

4 5. The production company shall provide evidence of financing
5 for production prior to the commencement of principal photography;
6 and

7 6. The production company shall provide evidence of a
8 certificate of general liability insurance with a minimum coverage
9 of One Million Dollars (\$1,000,000.00) and a workers' compensation
10 policy pursuant to state law, which shall include coverage of
11 employer's liability.

12 E. A production company shall not be eligible to receive both a
13 rebate payment pursuant to the provisions of ~~this act~~ the Compete
14 with Canada Film Act and an exemption from sales taxes pursuant to
15 the provisions of paragraph 21 of Section 1357 of this title. If a
16 production company has received such an exemption from sales taxes
17 and submits a claim for rebate pursuant to the provisions of the
18 Compete with Canada Film Act, the company shall be required to fully
19 repay the amount of the exemption to the Tax Commission. A claim
20 for a rebate shall include documentation from the Tax Commission
21 that repayment has been made as required herein or shall include an
22 affidavit from the production company that the company has not
23 received an exemption from sales taxes pursuant to the provisions of
24 paragraph 21 of Section 1357 of this title.

1 F. The Office shall approve or disapprove all claims for rebate
2 and shall notify the Tax Commission. The Tax Commission shall, upon
3 notification of approval from the Office of the Film and Music
4 Commission, issue payment for all approved claims from funds in the
5 Oklahoma Film Enhancement Rebate Program Revolving Fund created in
6 Section 3625 of this title. Provided, no claims for rebate for
7 expenditures made on or after July 1, 2009, shall be paid prior to
8 July 1, 2010. The amount of payments in any single fiscal year
9 shall not exceed Five Million Dollars (\$5,000,000.00). If the
10 amount of approved claims exceeds the amount specified in this
11 subsection in a fiscal year, payments shall be made in the order in
12 which the claims are approved by the Office. If an approved claim
13 is not paid in whole or in part, the unpaid claim or unpaid portion
14 may be paid in the following fiscal year subject to the limitations
15 specified in this subsection.

16 SECTION 33. AMENDATORY 68 O.S. 2011, Section 5013, is
17 amended to read as follows:

18 Section 5013. A. All claims for relief authorized by the Sales
19 Tax Relief Act shall be received by and in the possession of the
20 Oklahoma Tax Commission on or before June 30 of each year for sales
21 taxes paid for the preceding calendar year. Claimants shall be
22 allowed a direct credit against income taxes owed by such claimant
23 to the State of Oklahoma for the amount of such claim, in which case
24 such claim shall be filed with the income tax return of the claimant

1 on or before April 15 following the close of the taxable year,
2 unless the claimant has been granted an extension of time in order
3 to file an income tax return, in which case the claim may be filed
4 with the return filed pursuant to the extension. In all cases where
5 ~~claimants have no income tax liability or where~~ the sales tax relief
6 authorized by this section exceeds the income tax liability of the
7 claimant, such claim, or any balance thereof, shall be paid out in
8 the same manner and out of the same fund as refunds of income taxes
9 are paid and so much of said fund as is necessary for such purposes
10 is hereby appropriated.

11 B. 1. Sales tax relief for families receiving assistance
12 pursuant to the federal program of Temporary Aid to Needy Families
13 shall be transferred from the Oklahoma Tax Commission to the
14 Department of Human Services as provided in this subsection for
15 purposes of obtaining federal matching funds to increase the
16 payments to recipients of Temporary Aid to Needy Families. The
17 determination of the amount to be transferred by the Oklahoma Tax
18 Commission shall be based on a statistical report prepared monthly
19 by the Department of Human Services which identifies the number of
20 recipients of Temporary Aid to Needy Families. The amount
21 transferred shall equal one-twelfth (1/12) of the annual sales tax
22 relief for all persons receiving assistance during the month of the
23 report. The amount transferred shall be paid out of the Income Tax
24 Withholding Refund Account of the Tax Commission.

1 2. Monies received from the Tax Commission shall be deposited
2 in the Human Services Fund. Recipients of assistance pursuant to
3 the federal program of Temporary Aid to Needy Families shall receive
4 sales tax relief as a part of their monthly Temporary Aid to Needy
5 Families.

6 C. All duties of the Tax Commission to make sales tax relief
7 payments to recipients since January 1, 1992, of state supplemental
8 payments or medical assistance as patients in long-term care
9 facilities who have received such supplemental payments or medical
10 assistance throughout the calendar year are hereby transferred to
11 the Department of Human Services. Receipt of such supplemental
12 payments or medical assistance shall constitute automatic
13 eligibility for sales tax relief under the provisions of the Sales
14 Tax Relief Act. Sales tax relief payments to persons identified in
15 this subsection shall be made as soon as practicable after the
16 commencement of each calendar year. The Department of Human
17 Services shall notify the Tax Commission of the total amount of the
18 sales tax relief payments made in order that such sum may be
19 transferred from the Income Tax Withholding Refund Account of the
20 Tax Commission to the Department.

21 D. For those individuals receiving assistance or state
22 supplemental payments as provided in subsections B and C of this
23 section, the Department of Human Services shall make the sales tax
24

1 relief payment without the requirement of an additional application
2 form.

3 E. To avoid duplication of payment, at the end of each calendar
4 year, the Department of Human Services shall provide the Tax
5 Commission with a list of the individuals who received sales tax
6 relief from the Department. Persons receiving sales tax relief
7 payments directly from the Department of Human Services shall not be
8 entitled to additional sales tax relief payments from the Tax
9 Commission.

10 F. The Department of Human Services and the Tax Commission
11 shall work jointly to notify individuals receiving assistance or
12 state supplemental payments from the Department of Human Services of
13 their possible entitlement and right to apply for sales tax relief
14 as provided for in the Sales Tax Relief Act.

15 SECTION 34. AMENDATORY 68 O.S. 2011, Section 54006, is
16 amended to read as follows:

17 Section 54006. A. Except as provided in subsection F of this
18 section, for taxable years beginning after December 31, 1992, and
19 before January 1, 2003, and for taxable years beginning after
20 December 31, 2005, there shall be allowed a credit against the tax
21 imposed by Section 2355 of this title for a net increase in the
22 number of full-time-equivalent employees engaged in computer
23 services, data processing or research and development as defined in
24

1 Section 54003 of this title, in this state including employees
2 engaged in support services.

3 B. The credit provided for in subsection A of this section
4 shall be allowed in each of the four (4) subsequent years only if
5 the level of new employees is maintained in the subsequent year;
6 provided, such credit shall be allowed in each of the eight (8)
7 subsequent years only if the level of new employees is maintained in
8 the subsequent year and if the credit is taken for taxable years
9 beginning after December 31, 2005. In calculating the credit by the
10 number of new employees, only those employees whose paid wages or
11 salary were at least Thirty-five Thousand Dollars (\$35,000.00)
12 during each year the credit is claimed shall be included in the
13 calculation. The number of new employees shall be determined by
14 comparing the monthly average number of full-time employees subject
15 to Oklahoma income tax withholding for the final quarter of the
16 taxable year with the corresponding period of the prior taxable
17 year, as substantiated by such reports as may be required by the Tax
18 Commission.

19 C. For credits taken for taxable years beginning after December
20 31, 1992, and before January 1, 2003, in order to be eligible to
21 receive the credit provided for in subsection A of this section, a
22 new or expanding business shall not include the existing employee
23 positions of any business enterprise that is directly or
24 beneficially owned by a corporation, trust, joint venture,

1 proprietorship, or partnership doing business in this state as of
2 January 1, 1992. For credits taken for taxable years beginning
3 after December 31, 2005, in order to be eligible to receive the
4 credit provided for in subsection A of this section, a new or
5 expanding business shall not include the existing employee positions
6 of any business enterprise that is directly or beneficially owned by
7 a corporation, trust, joint venture, proprietorship, or partnership
8 doing business in this state as of January 1, 2005.

9 D. The credit allowed by subsection A of this section shall be
10 Five Hundred Dollars (\$500.00) for each new employee, but not to
11 exceed fifty new employees.

12 E. Any credits allowed but not used in any taxable year may be
13 carried over in order to each of the four (4) years following the
14 year of qualification and to the extent not used in those years in
15 order to each of the five (5) years following the initial five-year
16 period.

17 F. No credit otherwise authorized by the provisions of this
18 section may be claimed for any event, transaction, investment,
19 expenditure or other act occurring on or after July 1, 2010, ~~for~~
20 ~~which the credit would otherwise be allowable. The provisions of~~
21 ~~this subsection shall cease to be operative on July 1, 2012.~~
22 ~~Beginning July 1, 2012, the credit authorized by this section may be~~
23 ~~claimed for any event, transaction, investment, expenditure or other~~
24

1 ~~act occurring on or after July 1, 2012, according to the provisions~~
2 ~~of this section.~~

3 SECTION 35. AMENDATORY 68 O.S. 2011, Section 2357.303,
4 is amended to read as follows:

5 Section 2357.303. A. Except as provided in subsection F of
6 this section, for taxable years beginning after December 31, 2008,
7 and ending before ~~January 1, 2015~~ January 1, 2013, a qualified
8 employer shall be allowed a credit against the tax imposed pursuant
9 to Section 2355 of this title for compensation paid to a qualified
10 employee.

11 B. The credit authorized by subsection A of this section shall
12 be in the amount of:

13 1. Ten percent (10%) of the compensation paid for the first
14 through fifth years of employment in the aerospace sector if the
15 qualified employee graduated from an institution located in this
16 state; or

17 2. Five percent (5%) of the compensation paid for the first
18 through fifth years of employment in the aerospace sector if the
19 qualified employee graduated from an institution located outside
20 this state.

21 C. The credit authorized by this section shall not exceed
22 Twelve Thousand Five Hundred Dollars (\$12,500.00) for each qualified
23 employee annually.

24

1 D. The credit authorized by this section shall not be used to
2 reduce the tax liability of the qualified employer to less than zero
3 (0).

4 E. No credit authorized pursuant to this section shall be
5 claimed after the fifth year of employment.

6 F. No credit otherwise authorized by the provisions of this
7 section may be claimed for any event, transaction, investment,
8 expenditure or other act occurring on or after July 1, 2010, for
9 which the credit would otherwise be allowable. The provisions of
10 this subsection shall cease to be operative on July 1, 2011.
11 Beginning July 1, 2011, the credit authorized by this section may be
12 claimed for any event, transaction, investment, expenditure or other
13 act occurring on or after July 1, 2011, according to the provisions
14 of this section.

15 SECTION 36. This act shall become effective July 1, 2012.

16 SECTION 37. It being immediately necessary for the preservation
17 of the public peace, health and safety, an emergency is hereby
18 declared to exist, by reason whereof this act shall take effect and
19 be in full force from and after its passage and approval.

20 SECTION 38. REPEALER 68 O.S. 2011, Sections 1370.3,
21 2357.13, 2357.24, 2357.31, 2357.40 and 2357.402, are hereby
22 repealed.

23 SECTION 39. REPEALER 74 O.S. 2011, Sections 5075 and
24 5078, are hereby repealed.

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