ENGROSSED SENATE AMENDMENTS
TO
ENGROSSED HOUSE
BILL NO. 3061

By: Steele of the House

and

Bingman of the Senate

[ revenue and taxation - Oklahoma Tax Reduction and Simplification Act - Oklahoma Income Tax Code - modifying taxable years for which certain tax rates applicable - tax based upon taxable income amounts - reduction of individual income tax rates based upon certain revenue conditions - State Board of Equalization - elimination of certain individual income tax credits - Oklahoma Income Tax Code with respect to certain deductions and exemptions – repealing sections - effective date ]

AMENDMENT NO. 1. Page 1, strike the enacting clause

AMENDMENT NO. 2. Page 34, line 9, through page 35, line 21, delete Sections 7 and 8

and renumber subsequent sections

and when the title is restored, amend the title to conform

Passed the Senate the 25th day of April, 2012.

________________________________
Presiding Officer of the Senate

Passed the House of Representatives the ____ day of __________, 2012.

________________________________
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( revenue and taxation - Oklahoma Tax Reduction and Simplification Act - Oklahoma Income Tax Code - modifying taxable years for which certain tax rates applicable - tax based upon taxable income amounts - reduction of individual income tax rates based upon certain revenue conditions - State Board of Equalization - elimination of certain individual income tax credits - Oklahoma Income Tax Code with respect to certain deductions and exemptions – repealing sections -

effective date )

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

SECTION 1. NEW LAW A new section of law not to be codified in the Oklahoma Statutes reads as follows:

This act shall be known and may be cited as the “Oklahoma Tax Reduction and Simplification Act”.

SECTION 2. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 2355.1E of Title 68, unless there is created a duplication in numbering, reads as follows:

A. Except as otherwise provided by this section for the reduction of individual income tax rates, for taxable years beginning after December 31, 2012, a tax is hereby imposed upon the Oklahoma taxable income of every resident or nonresident individual as follows:

1. For the taxable years beginning January 1, 2013, and ending December 31, 2014, for single persons:

a. 0% on taxable income not in excess of Fifteen Thousand Dollars ($15,000.00) if the taxpayer does not have taxable income in excess of Fifteen Thousand Dollars ($15,000.00),

b. for persons with a taxable income in excess of Fifteen Thousand Dollars ($15,000.00):

(1) 2.25% on all taxable income equal to Fifteen Thousand Dollars ($15,000.00), plus

(2) 2.25% on all taxable income in excess of Fifteen Thousand Dollars ($15,000.00) but not in excess of Thirty-five Thousand Dollars ($35,000.00), and

c. for persons with a taxable income in excess of Thirty-five Thousand Dollars ($35,000.00):

(1) 3.5% on all taxable income equal to Thirty-five Thousand Dollars ($35,000.00), plus

(2) 3.5% on all taxable income in excess of Thirty-five Thousand Dollars ($35,000.00);

2. For the taxable years beginning January 1, 2013, and ending December 31, 2014, for married persons filing a joint income tax return, head of household and surviving spouse:

a. 0% on taxable income not in excess of Thirty Thousand Dollars ($30,000.00) if the taxpayer does not have taxable income in excess of Thirty Thousand Dollars ($30,000.00),

b. for persons with a taxable income in excess of Thirty Thousand Dollars:

(1) 2.25% on taxable income equal to Thirty Thousand Dollars ($30,000.00), plus

(2) 2.25% on taxable income in excess of Thirty Thousand Dollars ($30,000.00) but not in excess of Seventy Thousand Dollars ($70,000.00), and

c. for persons with a taxable income in excess of Seventy Thousand Dollars ($70,000.00):

(1) 3.5% on taxable income equal to Seventy Thousand Dollars ($70,000.00), plus

(2) 3.5% on taxable income in excess of Seventy Thousand Dollars ($70,000.00); and

3. For the taxable years beginning January 1, 2013, and ending December 31, 2014, for married persons filing separate returns:

a. 0% on taxable income not in excess of Fifteen Thousand Dollars ($15,000.00) if the taxpayer does not have taxable income in excess of Fifteen Thousand Dollars ($15,000.00),

b. for persons with a taxable income in excess of Fifteen Thousand Dollars ($15,000.00):

(1) 2.25% on taxable income equal to Fifteen Thousand Dollars ($15,000.00), plus

(2) 2.25% on taxable income in excess of Fifteen Thousand Dollars ($15,000.00), but not in excess of Thirty-five Thousand Dollars ($35,000.00), and

c. for persons with a taxable income in excess of Thirty-five Thousand Dollars ($35,000.00):

(1) 3.5% on taxable income equal to Thirty-five Thousand Dollars ($35,000.00), plus

(2) 3.5% on taxable income in excess of Thirty-five Thousand Dollars ($35,000.00).

B. For taxable years beginning on or after January 1, 2015, the individual income tax rate of 3.5% otherwise authorized pursuant to the provisions of divisions (1) and (2) of subparagraph c of paragraphs 1, 2 and 3 of subsection A of this section may be decreased in increments of twenty-five hundredths (0.25), to be subtracted from such rate as of each applicable January 1 date, based upon a growth in state revenue certifications, as described by this section, equal to or greater than five percent (5%) including the effect of revenue attributable to the standard deduction authorized pursuant to Section 2358 of Title 68 of the Oklahoma Statutes. Such incremental reduction may occur for any tax year until the 3.5% tax rate otherwise prescribed by divisions (1) and (2) of subparagraph c of paragraphs 1, 2 and 3 of subsection A of this section equals zero (0).

C. For the first taxable year after the individual income tax rate of 3.5% otherwise prescribed by divisions (1) and (2) of subparagraph c of paragraphs 1, 2 and 3 of subsection A of this section equals zero (0), and for each taxable year thereafter, the individual income tax rate of 2.25% otherwise authorized pursuant to the provisions of divisions (1) and (2) of subparagraph b of paragraphs 1, 2 and 3 of subsection A of this section may be decreased in increments of twenty-five hundredths (0.25), to be subtracted from such rate as of each applicable January 1 date, based upon a growth in state revenue certifications, as described by this section, equal to or greater than five percent (5%) including the effect of revenue attributable to the standard deduction authorized pursuant to Section 2358 of Title 68 of the Oklahoma Statutes. Such incremental reduction may occur for any tax year until the 2.25% tax rate otherwise prescribed by divisions (1) and (2) of subparagraph b of paragraphs 1, 2 and 3 of subsection A of this section equals zero (0).

D. After the individual income tax rates of 2.25% and 3.5% otherwise prescribed by divisions (1) and (2) of subparagraphs b and c of paragraphs 1, 2 and 3 of subsection A of this section, respectively, have been reduced to zero (0), the State of Oklahoma shall not impose any income tax on the taxable income of individuals.

E. In addition to any other duties prescribed by law, at the meeting required by paragraph 1 of Section 23 of Article X of the Oklahoma Constitution to be held in December 2013, and for any subsequent December meeting of the State Board of Equalization until the individual income tax rates otherwise prescribed by both divisions (1) and (2) of subparagraphs b and c of paragraphs 1, 2 and 3 of subsection A of this section have been reduced to zero (0), the State Board of Equalization shall determine:

1. The amount of revenue growth in the General Revenue Fund of the State Treasury by comparing the fiscal year General Revenue Fund estimate for the fiscal year beginning on the next ensuing July 1 date to the revised General Revenue Fund estimate for the then current fiscal year; and

2. The amount by which the income tax revenue for the tax year which will begin on the second January 1 date following such December meeting is estimated to be reduced by the increase in the standard deduction provided in Section 2358 of Title 68 of the

Oklahoma Statutes, plus an amount equal to five percent (5%) of the revised General Revenue Fund estimate for the then current fiscal year in order for the applicable reduction of an individual income tax rate required by subsection B or subsection C of this section to occur.

If the amount determined pursuant to the provisions of paragraph 1 of this subsection is equal to or greater than the amount determined pursuant to the provisions of paragraph 2 of this subsection, the Board shall make a preliminary finding that the Board anticipates that a finding will be made at the February meeting immediately subsequent to the December meeting that applicable revenue growth in the state will authorize the implementation of the reduction in the applicable individual income tax rate required by subsection B or subsection C of this section beginning on the second January 1 following such December meeting.

If the amount determined pursuant to the provisions of paragraph 1 of this subsection is less than the amount determined pursuant to the provisions of paragraph 2 of this subsection, the Board shall make a preliminary finding that the Board anticipates that a finding will be made at the February meeting immediately subsequent to the December meeting that applicable revenue growth in the state will not authorize the implementation of the reduction in the applicable individual income tax rate required by subsection B or subsection C of this section beginning on the second January 1 following such December meeting.

F. In addition to any other duties prescribed by law, at the meeting required by paragraph 3 of Section 23 of Article X of the Oklahoma Constitution to be held in February 2014, and for any subsequent February meeting of the State Board of Equalization if the individual income tax rates prescribed by divisions (1) and (2) of subparagraphs b and c of paragraphs 1, 2 and 3 of subsection A of this section have not been reduced to zero (0), the State Board of Equalization shall determine:

1. The amount of revenue growth in the General Revenue Fund of the State Treasury by comparing the fiscal year General Revenue Fund estimate for the fiscal year beginning on the next ensuing July 1 date to the revised General Revenue Fund estimate for the then current fiscal year; and

2. The amount by which the income tax revenue for the tax year which will begin on the January 1 date immediately following such February meeting is estimated to be reduced by the increase in the standard deduction authorized by Section 2358 of Title 68 of the Oklahoma Statutes plus an amount equal to five percent (5%) of the revised General Revenue Fund estimate for the then current fiscal year in order for the applicable reduction of an individual income tax rate required by subsection B or subsection C of this section to occur.

If the amount determined pursuant to the provisions of paragraph 1 of this subsection is equal to or greater than the amount determined pursuant to the provisions of paragraph 2 of this subsection, the Board shall make a finding that applicable revenue growth in the state will authorize the reduction of the applicable individual income tax rate otherwise authorized by divisions (1) and (2) of subparagraph b or c of paragraph 1, 2 or 3 of subsection A of this section beginning on the January 1 date immediately following such February meeting.

If the amount determined pursuant to the provisions of paragraph 1 of this subsection is less than the amount determined pursuant to the provisions of paragraph 2 of this subsection, the Board shall make a finding that applicable revenue growth in the state does not authorize the reduction of the applicable individual income tax rate otherwise authorized by divisions (1) and (2) of subparagraph b or c of paragraph 1, 2 or 3 of subsection A of this section beginning with the January 1 date immediately following such February meeting.

G. If the Board makes a finding that applicable revenue growth in the state does not authorize the reduction of the applicable individual income tax rate otherwise authorized pursuant to either division (1) or (2) of subparagraph b or c of paragraph 1, 2 or 3 of subsection A of this section beginning with calendar year 2015 pursuant to the provisions of subsection B or subsection C of this section, the procedures prescribed by this section shall be repeated by the State Board of Equalization for each successive two-year comparison.

H. Once the income tax rate otherwise authorized pursuant to divisions (1) and (2) of subparagraph b or c of paragraphs 1, 2 and 3 of subsection A of this section has been implemented as a result of the analysis of the General Revenue Fund estimates together with the fiscal impact of the standard deduction as authorized pursuant to Section 2358 of Title 68 of the Oklahoma Statutes, such income tax rate shall be in effect for the tax years as prescribed by subsection B or subsection C of this section.

SECTION 3. AMENDATORY 68 O.S. 2011, Section 2353, is amended to read as follows:

Section 2353. For the purpose of and when used in Section 2351 et seq. of this title, unless the context otherwise requires:

1. “Tax Commission” means the Oklahoma Tax Commission;

2. "Internal Revenue Code" means the United States Internal Revenue Code, as the same may be amended or adopted from time to time applicable to the taxable year; and other provisions of the laws of the United States relating to federal income taxes, as the same may be or become effective at any time or from time to time applicable to the taxable year;

3. Any term used in Section 2351 et seq. of this title shall have the same meaning as when used in a comparable context in the Internal Revenue Code, unless a different meaning is clearly

required. For all taxable periods covered by Section 2351 et seq. of this title, the tax status and all elections of all taxpayers covered by Section 2351 et seq. of this title shall be the same for all purposes material hereto as they are for federal income tax purposes except when Section 2351 et seq. of this title specifically provides otherwise;

4. "Resident individual" means a natural person who is domiciled in this state, and any other natural person who spends in the aggregate more than seven (7) months of the taxable year within this state shall be presumed to be a resident for purposes of Section 2351 et seq. of this title in absence of proof to the contrary. A natural person who resides less than seven (7) months of the taxable year within this state is presumed to be a "part-year resident individual" for purposes of the Oklahoma Income Tax Code, Section 2351 et seq. of this title, in absence of proof to the contrary. A "nonresident individual" means an individual other than a resident individual or a part-year resident individual.

For all tax years beginning after December 31, 1981, a nonresident individual, with respect to foreign earned income and deductions, shall include an individual who:

a. during any period of twenty-four (24) consecutive months is out of the United States at least five hundred fifty (550) days,

b. during such period referred to in subparagraph a of this paragraph is not present in this state for more than ninety (90) days during any taxable year,

c. during any period of less than an entire taxable year, which period is contained within the period referred to in subparagraph a of this paragraph, is not present in this state for a number of days in excess of an amount which bears the same ratio to ninety (90) days as the number of days contained in the period of less than an entire taxable year bears to three hundred sixty-five (365), and

d. during such period referred to in subparagraph a of this paragraph does not maintain a permanent place of abode in this state at which the spouse of the individual, unless such spouse is legally separated, or minor children of the individual are present for more than one hundred eighty (180) days;

5. "Resident estate" means the estate of a decedent who at death was domiciled in this state. "Nonresident estate" means an estate other than a resident estate;

6. "Resident trust" means:

a. a trust, or a portion of a trust, consisting of property transferred by will of a decedent domiciled in this state at death, or a trust, or a portion of a trust, consisting of the property of a person domiciled in this state if such trust is not irrevocable, and

b. a trust, or portion of a trust, consisting of property of a person domiciled in this state at the time such property was transferred to the trust if such trust or portion was then irrevocable or a person domiciled in this state at the time such trust or portion became irrevocable. A trust, or portion of a trust, is irrevocable if it is not subject to a power exercisable solely by the transferor of such property, at any time, to revest title in the transferor.

"Nonresident trust" means a trust other than a resident trust;

7. "Resident partner" means a partner who is a resident individual, a resident estate, a resident trust or a resident corporation. "Nonresident partner" means a partner other than a resident partner;

8. "Resident beneficiary" means a beneficiary of an estate or trust which beneficiary is a resident individual, a resident estate, a resident trust or a resident corporation. "Nonresident beneficiary" means a beneficiary other than a resident beneficiary;

9. "Resident corporation" means a corporation whose principal place of business is located within the State of Oklahoma.

"Nonresident corporation" means any corporation other than a resident corporation;

10. "Taxable income" with respect to any taxpayer means the "taxable income", "life insurance company taxable income", "mutual insurance company taxable income", "(regulated) investment company taxable income", "real estate investment trust taxable income", and "cooperatives' taxable income" and any other "taxable income" as defined in the Internal Revenue Code as applies to such taxpayer or any other income of such taxpayer including, but not limited to, lump sum distributions as defined by the Internal Revenue Code of 1986, as amended; provided, in the case of income derived from oil and gas well production, any taxpayer, other than an individual person, at ~~his or her~~ the option of the taxpayer, may deduct as an allowance for depletion, in lieu of other calculation of depletion based on the cost of the oil and gas deposit, twenty-two percent (22%) of the gross income derived from the properties during the taxable year. Provided further, for tax years beginning on or after January 1, 1997, and ending on or before December 31, 1999, and for tax years beginning on or after January 1, 2001, and ending on or before December 31, 2011, for major oil companies as defined in Section 288.2 of Title 52 of the Oklahoma Statutes, such allowance shall not exceed fifty percent (50%) of the net income of the taxpayer (computed without allowance for depletion) from the property. During taxable years other than those specified herein,

for all taxpayers, other than an individual, such allowance shall not exceed fifty percent (50%) of the net income of the taxpayer (computed without allowance for depletion) from the property. If a depletion allowance is allowed as a deduction in arriving at ~~the adjusted gross income in the case of an individual, or~~ taxable income for corporations and trusts, or distributable income of partnerships by the Internal Revenue Service, the percentage depletion so calculated shall in no event be a duplication of depletion allowed on the Federal Income Tax Return;

11. "Adjusted gross income" means "adjusted gross income" as defined in the Internal Revenue Code;

12. "Oklahoma taxable income" means "taxable income" as reported (or as would have been reported by the taxpayer had a return been filed) to the federal government, and in the event of adjustments thereto by the federal government as finally ascertained under the Internal Revenue Code, adjusted further as hereinafter provided;

13. "Oklahoma adjusted gross income" means "adjusted gross income" as reported to the federal government (or as would have been reported by the taxpayer had a return been filed), or in the event of adjustments thereby by the federal government as finally ascertained under the Internal Revenue Code, adjusted further as hereinafter provided;

14. "State" means any state of the United States, the District of Columbia, the Commonwealth of Puerto Rico, any territory or possession of the United States or any political subdivision thereof; and

15. "Taxpayer" means any person subject to a tax imposed by this Article, or whose income is, in whole or in part, subject to a tax imposed by any provision of this article.

SECTION 4. AMENDATORY 68 O.S. 2011, Section 2355, is amended to read as follows:

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

1. METHOD 1.

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

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

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

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

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

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

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

(7) 6% tax on next $2,300.00 or part thereof, and

(8) (a) for taxable years beginning after December 31, 1998, and before January 1, 2002, 6.75% tax on the remainder,

(b) for taxable years beginning on or after January 1, 2002, and before January 1, 2004, 7% tax on the remainder, and

(c) for taxable years beginning on or after January 1, 2004, 6.65% tax on the remainder.

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

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

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

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

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

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

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

(7) 6% tax on next $6,000.00 or part thereof, and

(8) (a) for taxable years beginning after December 31, 1998, and before January 1, 2002, 6.75% tax on the remainder,

(b) for taxable years beginning on or after January 1, 2002, and before January 1, 2004, 7% tax on the remainder, and

(c) for taxable years beginning on or after January 1, 2004, 6.65% tax on the remainder.

2. METHOD 2.

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

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

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

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

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

(5) 4% tax on next $1,200.00 or part thereof,

(6) 5% tax on next $1,400.00 or part thereof,

(7) 6% tax on next $1,500.00 or part thereof,

(8) 7% tax on next $1,500.00 or part thereof,

(9) 8% tax on next $2,000.00 or part thereof,

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

(11) 10% tax on the remainder.

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

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

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

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

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

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

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

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

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

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

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

(11) 10% tax on the remainder.

B. Individuals. For all taxable years beginning on or after January 1, 2008, <u>and ending not later than December 31, 2012,</u> a tax is hereby imposed upon the Oklahoma taxable income of every resident or nonresident individual, which tax shall be computed as follows:

1. Single individuals and married individuals filing separately:

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

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

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

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

(e) 4% tax on next $2,300.00 or part thereof,

(f) 5% tax on next $1,500.00 or part thereof, <u>and</u>

(g) ~~5.50% tax on the remainder for the 2008 tax year and any subsequent tax year unless the rate prescribed by subparagraph (h) of this paragraph is in effect, and~~

~~(h)~~ 5.25% tax on the remainder for the 2009 and subsequent tax years ending not later than December 31, 2012. ~~The decrease in the top marginal individual income tax rate otherwise authorized by this subparagraph shall be contingent upon the determination required to be made by the State Board of Equalization pursuant to Section 2355.1A of this title.~~

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

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

(b) 1% tax on next $3,000.00 or part thereof,

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

(d) 3% tax on next $2,300.00 or part thereof,

(e) 4% tax on next $2,400.00 or part thereof,

(f) 5% tax on next $2,800.00 or part thereof, and

(g) ~~5.50% tax on the remainder for the 2008 tax year and any subsequent tax year unless the rate prescribed by subparagraph (h) of this paragraph is in effect, and~~

~~(h)~~ 5.25% tax on the remainder for the 2009 and subsequent tax years ending not later than December 31, 2012. ~~The decrease in the top marginal individual income tax rate otherwise authorized by this subparagraph shall be contingent upon the determination required to be made by the State Board of Equalization pursuant to Section 2355.1A of this title.~~

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

C. Nonresident aliens. In lieu of the rates ~~set forth in subsection A above~~ prescribed by Section 2 of this act, there shall be imposed on nonresident aliens, as defined in the Internal Revenue Code, a tax of eight percent (8%) instead of thirty percent (30%) as used in the Internal Revenue Code, with respect to the Oklahoma taxable income of such nonresident aliens as determined under the provision of the Oklahoma Income Tax Act.

Every payer of amounts covered by this subsection shall deduct and withhold from such amounts paid each payee an amount equal to eight percent (8%) thereof. Every payer required to deduct and withhold taxes under this subsection shall for each quarterly period on or before the last day of the month following the close of each such quarterly period, pay over the amount so withheld as taxes to the Tax Commission, and shall file a return with each such payment. Such return shall be in such form as the Tax Commission shall prescribe. Every payer required under this subsection to deduct and withhold a tax from a payee shall, as to the total amounts paid to each payee during the calendar year, furnish to such payee, on or before January 31, of the succeeding year, a written statement showing the name of the payer, the name of the payee and the payee's social security account number, if any, the total amount paid subject to taxation, and the total amount deducted and withheld as tax and such other information as the Tax Commission may require. Any payer who fails to withhold or pay to the Tax Commission any sums herein required to be withheld or paid shall be personally and individually liable therefor to the State of Oklahoma.

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

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

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

Every payer of amounts covered by this subsection shall deduct and withhold from such amounts paid each payee an amount equal to six percent (6%) thereof. Every payer required to deduct and withhold taxes under this subsection shall for each quarterly period on or before the last day of the month following the close of each such quarterly period, pay over the amount so withheld as taxes to the Tax Commission, and shall file a return with each such payment. Such return shall be in such form as the Tax Commission shall prescribe. Every payer required under this subsection to deduct and withhold a tax from a payee shall, as to the total amounts paid to each payee during the calendar year, furnish to such payee, on or before January 31, of the succeeding year, a written statement showing the name of the payer, the name of the payee and the payee's social security account number, if any, the total amounts paid subject to taxation, the total amount deducted and withheld as tax and such other information as the Tax Commission may require. Any payer who fails to withhold or pay to the Tax Commission any sums herein required to be withheld or paid shall be personally and individually liable therefor to the State of Oklahoma.

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

G. Tax rate tables. For all taxable years beginning after December 31, ~~1991~~ 2012, in lieu of the tax imposed by ~~subsection A or B of this section, as applicable~~ Section 2 of this act, there is hereby imposed for each taxable year on the taxable income of every individual, whose taxable income for such taxable year does not exceed the ceiling amount, a tax determined under tables, applicable to such taxable year which shall be prescribed by the Tax Commission and which shall be in such form as it determines appropriate. In the table so prescribed, the amounts of the tax shall be computed on the basis of the rates prescribed by ~~subsections A and B~~ Section 2 of this ~~section~~ act. For purposes of this subsection, the term "ceiling amount" means, with respect to any taxpayer, the amount determined by the Tax Commission for the tax rate category in which such taxpayer falls.

SECTION 5. AMENDATORY 68 O.S. 2011, Section 2357, is amended to read as follows:

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

B. ~~1.~~ There shall be allowed as a credit against the tax imposed by Section 2355 of this title the amount of tax paid another state by a resident individual, as defined in paragraph 4 of Section 2353 of this title, upon income received as compensation for personal services in such other state; provided, such credit shall not be allowed with respect to any income specified in Section 114 of Title 4 of the United States Code, 4 U.S.C., Section 114, upon which a state is prohibited from imposing an income tax. The credit shall not exceed such proportion of the tax payable under Section 2355 of this title as the compensation for personal services subject to tax in the other state and also taxable under Section 2355 of this title bears to the Oklahoma adjusted gross income as defined in paragraph 13 of Section 2353 of this title.

~~2. For tax years beginning after December 31, 2007, there shall be allowed to a resident individual or part-year resident individual or nonresident individual member of the Armed Forces as a credit against the tax imposed by Section 2355 of this title twenty percent (20%) of the credit for child care expenses allowed under the Internal Revenue Code of the United States or five percent (5%) of the child tax credit allowed under the Internal Revenue Code, whichever amount is greater. Neither credit authorized by this paragraph shall exceed the tax imposed by Section 2355 of this title. The maximum child care credit allowable on the Oklahoma income tax return shall be prorated on the ratio that Oklahoma~~

~~adjusted gross income bears to the federal adjusted gross income. The credit authorized by this paragraph shall not be claimed by any taxpayer if the federal adjusted gross income reflected on the Oklahoma return for the taxpayer is in excess of One Hundred Thousand Dollars ($100,000.00).~~

~~C. 1. Except as otherwise provided by paragraph 3 of this subsection, every taxpayer who operates a manufacturing establishment in the state shall be allowed a direct credit against income taxes owed by such taxpayer to the state, the amount of which credit shall be proportioned to the amount of gas used or consumed in Oklahoma by such taxpayer in the operation of a manufacturing establishment, at a rate of three (3) mills per thousand (1,000) cubic feet of gas used or consumed after May 1, 1971, and during each taxable year of such taxpayer provided that the credit allowed herein shall not apply to the first twenty-five thousand (25,000) MCF of gas used or gas used to generate electricity or consumed after May 1, 1971, and during each taxable year of such taxpayer.~~

~~2. As used in this subsection:~~

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

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

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

~~(2) gas vented or flared directly into the atmosphere,~~

~~(3) gas used for fuel in connection with the operation and development for or production of oil or gas in the field where produced, and~~

~~(4) gas, any part of which is resold by the manufacturing establishment, except as to that part and quantity of the gas which is actually used by the establishment and not resold, and~~

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

~~3. No credit otherwise authorized by the provisions of this subsection may be claimed for any event, transaction, investment,~~

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

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

1. Those credits provided in this section; and

2. Those credits authorized by Sections 2-5-101 through 2-5-118 of Title 27A of the Oklahoma Statutes, which have been, or may hereafter be, certified pursuant to applications therefor made on or before March 22, 1971. Provided, the total amount of the credits referred to in this ~~subparagraph~~ paragraph to be taken by the taxpayer shall not exceed the certified net investment cost of the facilities or processes to which such credits pertain, reduced by the greater of:

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

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

And, provided further, that, after such credits have been exhausted, taxpayer shall each year thereafter adjust taxable income by adding any depreciation taken on such facilities or processes, or any nondepreciable costs having been included in the net investment cost allowed as credit, and which depreciation or costs have been allowed as a deduction in arriving at federal taxable income for such year.

SECTION 6. AMENDATORY 68 O.S. 2011, Section 2357.22, is amended to read as follows:

Section 2357.22 A. For tax years beginning ~~before~~ after January 1, ~~2015~~ 2013, and ending not later than December 31, 2014, there shall be allowed a one-time credit against the income tax imposed by Section 2355 of this title

~~1. For~~ for investments in qualified clean-burning motor vehicle fuel property placed in service after December 31, ~~1990~~ 2012~~; and~~

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

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

1. Equipment installed to modify a motor vehicle which is propelled by gasoline or diesel fuel so that the vehicle may be

propelled by a hydrogen fuel cell, compressed natural gas, liquefied natural gas or liquefied petroleum gas; provided, equipment installed on a vehicle propelled by a hydrogen fuel cell shall only be eligible for tax year 2010. The equipment covered by this paragraph must be new and must not have been previously used to modify or retrofit any vehicle propelled by gasoline or diesel fuel;

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

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

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

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

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

4. Property which is directly related to the compression and delivery of natural gas from a private home or residence, for noncommercial purposes, into the fuel tank of a motor vehicle propelled by compressed natural gas. The property covered by this paragraph must be new and must not have been previously installed or used to refuel vehicles powered by natural gas.

C. ~~As used in this section, "qualified electric motor vehicle property" means a motor vehicle originally equipped to be propelled only by electricity; provided, if a motor vehicle is also equipped with an internal combustion engine, then such vehicle shall be~~

~~considered "qualified electric motor vehicle property" only to the extent of the portion of the basis of such motor vehicle which is attributable to the propulsion of the vehicle by electricity. The term "qualified electric motor vehicle property" shall not apply to vehicles known as "golf carts", "go carts" and other motor vehicles which are manufactured principally for use off the streets and highways.~~

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

~~E.~~ D. The credit provided for in subsection A of this section shall be as follows:

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

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

3. For qualified clean-burning motor vehicle fuel property defined in paragraph 4 of subsection B of this section, a per-location credit of the lesser of fifty percent (50%) of the cost of

the qualified clean-burning motor vehicle fuel property or Two Thousand Five Hundred Dollars ($2,500.00).

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

~~G.~~ F. If the tax credit allowed pursuant to subsection A of this section exceeds the amount of income taxes due or if there are no state income taxes due on the income of the taxpayer, the amount of the credit not used as an offset against the income taxes of a taxable year may be carried forward as a credit against subsequent income tax liability for a period not to exceed five (5) years.

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

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

SECTION 7. AMENDATORY 68 O.S. 2011, Section 2358.5, is amended to read as follows:

Section 2358.5 A. Interest on local governmental obligations issued after the effective date of this act for purposes other than to provide financing for projects for nonprofit corporations shall be exempt from Oklahoma income taxation. For these purposes, local governmental obligations shall include bonds or notes issued by, or on behalf of, or for the benefit of Oklahoma educational institutions, cities, towns, or counties or by public trusts of which any of the foregoing is a beneficiary.

B. Interest on governmental obligations issued by the Oklahoma Department of Transportation after the effective date of this act for purposes of highway construction and maintenance shall be exempt from Oklahoma income taxation.

C. The provisions of this section shall not be effective as law with respect to interest on local governmental obligations issued on or after the effective date of this act.

SECTION 8. AMENDATORY 68 O.S. 2011, Section 2358.5A, is amended to read as follows:

Section 2358.5A A. All bonds, notes, debentures, evidences of indebtedness, lease purchase agreements, certificates of participation, commercial paper, or other obligations issued by the

State of Oklahoma, the Oklahoma Capitol Improvement Authority, the Oklahoma Municipal Power Authority, the Oklahoma Student Loan Authority, and the Oklahoma Transportation Authority, the income therefrom, including, without limitation, any profit made on the sale thereof, and the transfer thereof, including, without limitation, estate or inheritance taxes, shall at all times be free from taxation within this state.

B. The provisions of this section shall be supplemental to, and not limiting or restrictive of, any law involving the taxation of such obligations within the State of Oklahoma.

<u>C. The provisions of this section shall not be effective as law with respect to interest on state governmental obligations issued on or after the effective date of this act.</u>

SECTION 9. REPEALER 68 O.S. 2011, Section 2355.1A, is hereby repealed.

SECTION 10. REPEALER 68 O.S. 2011, Section 2357.4, is hereby repealed.

SECTION 11. REPEALER 68 O.S. 2011, Section 2357.6, is hereby repealed.

SECTION 12. REPEALER 68 O.S. 2011, Sections 2357.7, 2357.7A, 2357.8 and 2357.8A, are hereby repealed.

SECTION 13. REPEALER 68 O.S. 2011, Sections 2357.10 and 2357.11, are hereby repealed.

SECTION 14. REPEALER 68 O.S. 2011, Section 2357.13, is hereby repealed.

SECTION 15. REPEALER 68 O.S. 2011, Section 2357.24, is hereby repealed.

SECTION 16. REPEALER 68 O.S. 2011, Section 2357.25, is hereby repealed.

SECTION 17. REPEALER 68 O.S. 2011, Section 2357.25A, is hereby repealed.

SECTION 18. REPEALER 68 O.S. 2011, Section 2357.26, is hereby repealed.

SECTION 19. REPEALER 68 O.S. 2011, Section 2357.27, is hereby repealed.

SECTION 20. REPEALER 68 O.S. 2011, Section 2357.28, is hereby repealed.

SECTION 21. REPEALER 68 O.S. 2011, Section 2357.29, is hereby repealed.

SECTION 22. REPEALER 68 O.S. 2011, Section 2357.30, is hereby repealed.

SECTION 23. REPEALER 68 O.S. 2011, Section 2357.31, is hereby repealed.

SECTION 24. REPEALER 68 O.S. 2011, Section 2357.32, is hereby repealed.

SECTION 25. REPEALER 68 O.S. 2011, Section 2357.32A, is hereby repealed.

SECTION 26. REPEALER 68 O.S. 2011, Section 2357.32B, is hereby repealed.

SECTION 27. REPEALER 68 O.S. 2011, Section 2357.33, is hereby repealed.

SECTION 28. REPEALER 68 O.S. 2011, Sections 2357.34, 2357.35, 2357.36, 2357.37, 2357.38, 2357.39 and 2357.40, are hereby repealed.

SECTION 29. REPEALER 68 O.S. 2011, Section 2357.41, is hereby repealed.

SECTION 30. REPEALER 68 O.S. 2011, Section 2357.42, is hereby repealed.

SECTION 31. REPEALER 68 O.S. 2011, Section 2357.43, is hereby repealed.

SECTION 32. REPEALER 68 O.S. 2011, Section 2357.45, is hereby repealed.

SECTION 33. REPEALER 68 O.S. 2011, Section 2357.46, is hereby repealed.

SECTION 34. REPEALER 68 O.S. 2011, Section 2357.47, is hereby repealed.

SECTION 35. REPEALER 68 O.S. 2011, Section 2357.59, is hereby repealed.

SECTION 36. REPEALER 68 O.S. 2011, Sections 2357.60, 2357.61, 2357.61a, 2357.62, 2357.63, 2357.63A, 2357.63B, 2357.63C, 2357.63D, 2357.63E, 2357.64, 2357.65 and 2357.65A, are hereby repealed.

SECTION 37. REPEALER 68 O.S. 2011, Section 2357.66, is hereby repealed.

SECTION 38. REPEALER 68 O.S. 2011, Section 2357.67, is hereby repealed.

SECTION 39. REPEALER 68 O.S. 2011, Sections 2357.71, 2357.72, 2357.72a, 2357.73, 2357.74, 2357.74A, 2357.74B, 2357.74C, 2357.74D, 2357.74E, 2357.75, 2357.76 and 2357.76A, are hereby repealed.

SECTION 40. REPEALER 68 O.S. 2011, Section 2357.81, is hereby repealed.

SECTION 41. REPEALER 68 O.S. 2011, Section 2357.100, is hereby repealed.

SECTION 42. REPEALER 68 O.S. 2011, Section 2357.101, is hereby repealed.

SECTION 43. REPEALER 68 O.S. 2011, Section 2357.102, is hereby repealed.

SECTION 44. REPEALER 68 O.S. 2011, Sections 2357.103 and 2357.104, are hereby repealed.

SECTION 45. REPEALER 68 O.S. 2011, Section 2357.201, is hereby repealed.

SECTION 46. REPEALER 68 O.S. 2011, Section 2357.202, is hereby repealed.

SECTION 47. REPEALER 68 O.S. 2011, Section 2357.203, is hereby repealed.

SECTION 48. REPEALER 68 O.S. 2011, Sections 2357.204 and 2357.205, are hereby repealed.

SECTION 49. REPEALER 68 O.S. 2011, Section 2357.206, is hereby repealed.

SECTION 50. REPEALER 68 O.S. 2011, Section 2357.401, is hereby repealed.

SECTION 51. REPEALER 68 O.S. 2011, Section 2357.402, is hereby repealed.

SECTION 52. REPEALER 68 O.S. 2011, Section 2370.1, is hereby repealed.

SECTION 53. REPEALER 68 O.S. 2011, Section 2370.3, is hereby repealed.

SECTION 54. REPEALER 68 O.S. 2011, Sections 2904, 2905, 2906, 2907, 2908, 2909, 2910 and 2911, are hereby repealed.

SECTION 55. REPEALER 68 O.S. 2011, Sections 5010, 5011, 5012, 5013, 5014, 5015 and 5016, are hereby repealed.

SECTION 56. REPEALER 68 O.S. 2011, Section 54006, is hereby repealed.

SECTION 57. This act shall become effective January 1, 2013.

Passed the House of Representatives the 14th day of March, 2012.

Presiding Officer of the House of Representatives

Passed the Senate the ____ day of __________, 2012.

Presiding Officer of the Senate