



Oklahoma Tax Commission
2014 Oklahoma Legislative Update

Updates From Prior Sessions

- Deduction for Providing Foster Care
 - Provides for a \$5,000 MFJ deduction for a taxpayer who contracts with a child-placing agency as defined in 10 O.S. § 402.
- Oklahoma Depletion
 - When computing Oklahoma's additional depletion, only major oil companies are limited to 50% of the net income per well.
 - The net income limiter for the allowance of percentage depletion in computing Oklahoma taxable income for non-major oil companies has been removed.
- The \$100 political contribution deduction has been removed.
- The \$100, or \$200 if MFJ, Interest Qualifying for Exclusion deduction has been removed.

Updates From Prior Sessions

- Historical Battle Sites
 - The 50% capital gain deduction from the sale of real property to the State of Oklahoma has been removed.
 - Qualifying property must have been a historic battle site in the 19th century and designated a National Historic Landmark.
- Discharge of indebtedness under IRC § 108(i)(1)
 - A new deduction has been added for income which was added back to compute Oklahoma taxable income in 2010.
 - An amount equal to the portion of such deferred income included in Federal income for tax year 2014 may be deducted.

Updates From Prior Sessions

- The Coal Credit has been amended.
 - Credits earned on or after January 1, 2014 that are not used on Form 511CR will be refunded at 85% of the face amount of the credits.
 - Form 577 is to be used to calculate the refundable portion of the credit.
 - The five-year carryover provision, for credits allowed but not used, applies only to credits earned prior to January 1, 2014.
 - The coal credit is no longer transferable.
 - The Legislature extended the sunset date for seven years from tax years ending on or before December 31, 2014 to tax years ending on or before December 31, 2021.

Updates From Prior Sessions

- The Credit for Electricity Generated by Zero-Emission Facility has also been amended.
 - Credits generated on or after January 1, 2014 that are not used on Form 511CR will be refunded at 85% of face amount of the credits.
 - Form 578 is used to calculate the refundable portion of the credits.
 - The ten-year carryover provision applies only to credits generated prior to January 1, 2014.
 - The credit is no longer transferable.
 - The sunset date has been extended for five years from facilities placed in operation before January 1, 2016 to before January 1, 2021.

Updates From Prior Sessions

- The following income tax credits have been eliminated:

Credit for Hazardous Waste Control	Dry Fire Hydrant Credit
Research & Development New Jobs Credit	Credit for Stafford Loan Origination Fees
Credit for Energy Assistance Fund Contribution	Credit for Breeders of Specially Trained Canines
Commercial Space Industries Credit	Credit for Employers Providing Child Care Programs
Credit for Food Service Establishments that Pay for Hepatitis A Vaccination for Employees	OK Local Development & Enterprise Zone Incentive Leverage Act Credit
Credit for Tourism Development or Qualified Media Production Facility	Credit for Manufacturers of Electric Vehicles
Credit for Qualified Ethanol Facilities	Small Business Guaranty Fee Credit
Credit for Eligible Biodiesel Facility	Credit for Gas Used in Manufacturing

Income Tax Changes

- HB 2509
 - Amended the Credit for Employees in Aerospace Sector and Credits for Employers in Aerospace Sector.
 - Extended the sunset date to January 1, 2018.
 - Amended the definition of a qualified employee.
 - Now includes a person who worked in the aerospace sector before receiving their degree, and
 - Any person who has received their degree and is employed by a professional staffing company and assigned to work in Oklahoma.
 - Clarifies that an aerospace employee meets the definition of a qualified employee if they began their employment in Oklahoma on or after January 1, 2009, regardless of their hire date.
 - Effective November 1, 2014

Income Tax Changes

- HB 2643
 - Amended the Credit for Contributions to a Scholarship-Granting Organization and the Credit for Contributions to an Educational Improvement Grant Organization.
 - Added Subchapter S corporations to those entities that are eligible for the credit.
 - The measure authorizes the allocation of the credit to partners, shareholders, members and other equity owners of pass-through entities.
 - Tax credits which are allocated are no longer limited to \$1,000 for single individuals or \$2,000 for married taxpayers filing jointly.
 - Increased the Credit for Contributions to a Scholarship-Granting Organization to 75% of the amount donated for any taxpayer who makes a commitment to contribute the same amount for two additional years.

Income Tax Changes

- HB 3216
 - Amended the Natural Disaster Tax Credit by modifying the definition of natural disaster eligible for the credit to include tornadoes during calendar years 2012 and 2013 for which a Presidential Major Disaster Declaration was not issued.
 - The Natural Disaster Tax Credit is a refundable income tax credit for any increased ad valorem tax that is a result of rebuilding or repairing residential real property damaged or destroyed as a result of a natural disaster in 2012 or 2013.
 - The credit is the difference between the ad valorem taxes paid on the property in the year prior to the damage and taxes paid the first year the property is rebuilt or repaired.
 - In years two through five, the credit is to be 80% of the previous year's credit.
 - Credits are figured using OTC Form 576.

Income Tax Changes

- HB 3297
 - Amended the Credit for Investment in a Clean-Burning Motor Vehicle Property.
 - Decreased the credit for the vehicle component from 50% of the investment to 45%.
 - The OTC is required to calculate an amount equal to 5% of the credit and transfer that amount to the Compressed Natural Gas Conversion Safety and Regulation Fund.
 - No change to the credit for changes to infrastructure.
 - The equipment used to modify a motor vehicle must be installed by an alternative fuels equipment technician who is certified in accordance with the Alternative Fuels Technician Certification Act and the equipment must either meet all Federal Motor Vehicle Safety Standards per 49 CFR 571, or in the case of commercial motor vehicles, follow Federal Motor Carrier Safety Regulations or Oklahoma Intrastate Motor Carrier Regulations.

Income Tax Changes

- Sunset dates have been changed for the following credits:
 - SB 1150 sunsets the Small Business Guaranty Fee Credit for guaranty fees paid on or after January 1, 2017.
 - SB 1151 sunsets the Film or Music Project Credit effective for tax years ending before January 1, 2015.
 - SB 1152 sunsets the Credit for Wages Paid to an Injured Employee effective for tax years ending before January 1, 2015 and sunsets the Credit for Modification Expenses Paid for an Injured Employee effective for tax year ending before January 1, 2017.
 - SB 1153 sunsets the Credit for Entities in the Business of Providing Child Care Services effective for tax years ending before January 1, 2017.
 - SB 1170 sunsets the Wire Transfer Fee Credit effective for tax years ending before January 1, 2017.

Income Tax Changes

- SB 1199
 - Amended the Natural Disaster Tax Credit by extending the credit to any natural disaster occurring after December 31, 2011.
 - Changed from needing to be a Presidential declaration to a declaration by FEMA.
 - The amount of time to rebuild or repair the primary residence has been changed to 36 months after the date of the natural disaster occurring on or after January 1, 2014.
 - The law had previously limited the credit for increased ad valorem tax that is a result of rebuilding or repairing residential property damaged or destroyed as a result of a natural disaster in 2012 or 2013 only.
 - HB 3216 contains additional information for amendments to this credit.

Income Tax Changes

- SB 1621
 - Amended the Deduction for Providing Foster Care.
 - Individuals may deduct \$5,000 for expenses incurred providing foster care.
 - Married persons filing separately in a year in which they could have filed a joint return may each claim only \$2,500.
 - To qualify, the taxpayer must contract with a child-placing agency as defined in 10 O.S. §402.
 - This credit sunsets for tax years beginning on or after January 1, 2018.

Income Tax Changes

- SB 1723
 - The Legislature amended the Military Pay Exclusion by removing the sunset date of the 100% exclusion.
 - Repealed 68 O.S. § 2355 1D which could have reduced the exclusion back to \$1,500.

Income Tax Changes

- SB 1246
 - Maintains the top marginal individual income tax rate of 5.25% through tax year 2015.
 - Potentially reduces the top marginal income tax rate to 5.0% beginning with tax year 2016.
 - Potentially reduced the top marginal income tax rate to 4.85% for subsequent years.
 - No earlier than two tax years after the 5% rate is in effect.
 - Contingent upon certain revenue growth.
 - The Oklahoma Supreme Court upheld the tax cut on Tuesday, December 2, 2014.

Income Tax Changes

- SB 2128
 - Created the Oklahoma Affordable Housing Tax Credit for qualified projects placed in service after July 1, 2015.
 - The amount of the credits available will equal the amount of federal low-income housing tax credits for a qualified project but cannot exceed \$4.0 million per allocation year.
 - For allocation year 2013, \$8.7 million of federal low-income housing tax credits were awarded for Oklahoma projects.

Ad Valorem Tax Changes

- HB 1261
 - Passed by voter approval.
 - If a qualifying veteran or surviving spouse of the qualifying veteran sells a homestead property exempted from ad valorem tax and acquires a new homestead property, the new property shall be exempt to the same extent.
 - Affords a surviving spouse of the head of household who is determined by the Department of Defense or any branch of the military to have died while in the line of duty an ad valorem exemption for the full amount of the fair cash value of the homestead until such surviving spouse remarries.

Ad Valorem Tax Changes

- HB 3119
 - Allows a taxpayer 30, instead of 20, working days from the mailing or delivery date of an assessment notice in the case of a valuation increase or added property valuation to file a written complaint with the county assessor.
 - A taxpayer who is unable to participate in a scheduled hearing, either in person or telephonically, shall be given at least two additional opportunities to participate.
 - Hearings before a County Board of Equalization, in counties with a population less than 300,000 people, must provide at least three dates at intervals of at least 10 days.

Ad Valorem Tax Changes

- HB 3188
 - Amends the definition of "improvement" to exclude any expenditure made to repair damage to a residential or business structure caused by a natural disaster or other event causing damage.
 - Only additional square footage may be considered an improvement.

Cigarette & Tobacco Products

- HB 2361
 - Prohibits any person engaged in the business of selling or distributing cigarettes who is not a manufacturer, wholesaler, or distributor of cigarettes or other tobacco products licensed by the OTC from mailing, shipping or otherwise delivering cigarettes to any person in this state who is not:
 - a distributor or wholesaler licensed by the OTC;
 - an export warehouse proprietor;
 - the operator of a customs bonded warehouse;
 - a government employee when the person is acting in accordance with their official duties.
 - Makes it illegal for any common or contract carrier to knowingly transport cigarettes to any person in this state other than the ones authorized above.

Cigarette & Tobacco Products

- SB 1602
 - Stores that are predominately engaged in the sale of vapor products which violate the prohibition against selling vapor products to minors in excess of two times within a two year period may have their sales tax permit suspended for a period dependent upon the number of violations committed.

Gross Production Taxes

- HB 2562
 - Reduces the tax rate for all new production from wells spudded on or after July 1, 2015 to 2% for the first 36 months.
 - The tax rate then increases to 7%.
 - Deep well, new discovery and 3-D seismic incentives have been extended to July 1, 2015.
 - Enhanced recovery, inactive well and production enhancement incentives have been extended to July 1, 2020.
 - Effective July 1, 2015 the incentives are not available for production taxed at the 2% rate.
 - No claims for rebates for production occurring before 2003 are permitted after July 1, 2014.
 - No claims regarding economically-at-risk leases shall be permitted after December 31, 2015 for production periods occurring between calendar years 2005 through 2013.

Motor Vehicle

- HB 3216
 - Allows a credit for registration fees associated with a vehicle which is a replacement for a currently registered vehicle which was destroyed by a tornado.
 - The credit is in the amount of the excise tax previously paid on or after January 1, 2011 for the destroyed vehicle and must be applied to the excise tax due on the replacement vehicle.
 - In no event shall the credit be refunded.

Motor Vehicle

- SB 503
 - Authorizes the OTC to deny issuance of a replacement plate or decal if the plate was confiscated for failure to comply with the Compulsory insurance Law until the owner/operator complies with the provisions of 47 O.S. § 7-606(a)(1)(b)(2).

Motor Vehicle

- SB 1624
 - Clarifies that the \$15 reduced vehicle registration fee shall not apply to vehicles owned by retired members of the Armed Forces, inactive members of the Reserve Corps of the Armed Forces, inactive members of the Oklahoma National Guard and other members and former members of the U.S. Armed Forces who are not on active duty.
 - The reduced registration fee only applies to vehicles owned by members of the U.S. Armed Forces, The Reserve Corps of the U.S. Armed Forces, and the Oklahoma National Guard or their spouses assigned to duty in this state pursuant to military orders.
 - The reduced fee also applies to noncommercial vehicles owned by a spouse, residing in Oklahoma, of a member of the U.S. Armed Forces serving in a foreign country.

Sales & Use Tax

- HB 3216
 - Persons required to file a sales tax report shall be exempt from remitting sales tax on the sales value of tangible personal property donated for the assistance of persons affected by tornadoes occurring in calendar year 2012 or 2013 for which a Presidential Major Disaster Declaration was not issued.
 - The deduction/remuneration amount shall not be disallowed if a report was delinquent because of above-referenced tornadoes.
 - SB 1199 extends these provisions to all subsequent years.

Sales & Use Tax

- HB 3509
 - Provides a sales tax exemption to qualifying 100% disabled veterans and surviving spouses of deceased qualifying veterans.
 - Upon request of the eligible person, the OTC is required to issue a separate sales tax exemption card to a spouse of an eligible person or to a member of the household in which the eligible person resides and who is authorized to make purchases on the person's behalf.

Sales & Use Tax

- SB 862
 - Designates gold and silver coins issued by the United States government as legal tender in this State.
 - No person may compel another person to tender or accept gold or silver coins except as agreed upon by contract.
 - Amends the current sales tax exemption for sales of gold, silver, platinum, palladium or other bullion items by removing the requirement that, in order to be exempt, the items must be stored within a recognized depository facility.

Franchise Tax

- SB 341
 - Extended the delinquency date for paying franchise tax to September 15.
 - The delinquency date for paying franchise tax had been September 1.

Administrative

- SB 1228
 - Expanded individual liability for sales, withholding and motor fuel tax to include any person who is responsible for withholding or collection and remittance of trust fund taxes.

Administrative

- SB 1244
 - Penalty assessed for delinquent sales, use, mixed beverage gross receipts or motor fuel taxes will not be collected if assessed tax and accrued interest is paid within 60 days of assessment.
 - Claimants are now allowed 60 days, instead of 30 days, to protest the denial of a claim for tax refund.
 - Penalty assessed for delinquent income tax will not be collected if assessed tax and accrued interest is paid within 60 days of assessment.
 - Penalty assessed for delinquent withholding tax will not be collected if assessed tax and accrued interest is paid within 60 days of assessment.

Questions?

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OTHER CREDITS FORM

Name as shown on return:	Social Security/Federal Employer Identification Number:
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		A Unused Credit Carried Over from Prior Year(s)	B Credit Established During Current Tax Year	C Total Allowable Credit (A + B)
15	Rural Small Business Capital Credit (enclose Form 526-A) 15	00	Not Applicable	00
16	Credit for Electricity Generated by Zero-Emission Facilities 16	00	00	00
17	Credit for Financial Institutions Making Loans under the Rural Economic Development Loan Act. 17	00	00	00
18	Credit for Manufacturers of Small Wind Turbines... 18	00	00	00
19	Credit for Qualified Ethanol Facilities 19	Not Applicable	00	00
20	Poultry Litter Credit..... 20	00	Not Applicable	00
21	Volunteer Firefighter Credit (enclose COFT's Form, see instructions on page 5) 21	Not Applicable	00	00
22	Credit for Qualified Biodiesel Facilities 22	Not Applicable	00	00
23	Film or Music Project Credit (enclose Form 562) .. 23	Not Applicable	00	00
24	Credit for Breeders of Specially Trained Canines... 24	00	Not Applicable	00
25	Credit for Wages Paid to an Injured Employee..... 25	Not Applicable	00	00
26	Credit for Modification Expenses Paid for an Injured Employee..... 26	Not Applicable	00	00
27	Dry Fire Hydrant Credit 27	00	Not Applicable	00
28	Credit for the Construction of Energy Efficient Homes 28	00	00	00
29	Credit for Railroad Modernization..... 29	00	00	00
30	Research and Development New Jobs Credit (enclose Form 563) 30	00	00	00
31	Credit for Stafford Loan Origination Fee (for banks & credit unions filing Form 512)..... 31	00	Not Applicable	00
32	Credit for Biomedical Research Contribution 32	00	00	00
33	Credit for Employees in the Aerospace Sector (enclose Form 564) 33	00	00	00
34	Credits for Employers in the Aerospace Sector (enclose Form 565) 34	Not Applicable	00	00
35	Wire Transfer Fee Credit 35	00	00	00
36	Credit for Manufacturers of Electric Vehicles..... 36	00	Not Applicable	00
37	Credit for Cancer Research Contribution 37	00	00	00
38	Oklahoma Capital Investment Board Tax Credit..... 38	Not Applicable	00	00
39	Credit for Contributions to a Scholarship-Granting Organization 39	00	00	00
40	Credit for Contributions to an Educational Improvement Grant Organization 40	00	00	00
41	Total (add lines 1 through 40) 41 Enter on the applicable line of income tax return and enter the number in the box for the type of credit. If more than one credit is claimed, enter "99" in the box.	00	00	00



State of Oklahoma OTHER CREDITS FORM

FORM **511CR** 2014

Enclose this form and supporting documents with your Oklahoma tax return.

Name as shown on return:	Social Security Number:
	-OR-
	Federal Employer Identification Number:

Enter in **Column A** all unused carryover credits established in prior tax years but not used in any prior tax year.

Enter in **Column B** all credits established this tax year. This includes a credit generated this tax year; a credit transferred to you on a filed transfer agreement (Form 572) which may be claimed this tax year; and a credit, that once established, may be claimed over multiple years and you are claiming the subsequent years' credit (e.g. Investment/New Jobs Credit or Credit for Qualified Ethanol Facilities).

Attention members of pass-through entities: Enter your share of the pass-through entities' credit on the appropriate line for the type of credit. For example: Your share of the pass-through entities' Coal Credit would be entered on line 2.

See instructions for details on qualifications and required enclosures.

		A Unused Credit Carried Over from Prior Year(s)	B Credit Established During Current Tax Year	C Total Available Credit (A + B = C)
1	Oklahoma Investment/New Jobs Credit (enclose Form 506).....1	00	00	00
2	Coal Credit.....2	00	00	00
3	Credit for Investment in a Clean-Burning Motor Vehicle Fuel Property (enclose Form 567-A) Enter the number of Form(s) 567-A enclosed with this return for 3a and 3b	Number of Form(s) 567-A <input style="width:100px; height:20px;" type="text"/>		
3a	Credit from Form 567-A, Part 1, Section A, line 3. (If completing multiple Forms 567-A; enter the total amounts from all Part 1, Section A, line 3.).....3a	00	00	00
3b	Credit from Form 567-A, Part 4, line 4.....3b	00	00	00
4	Credit for Investment in Qualified Electric Motor Vehicle Property (placed in service before July 1, 2010) .4	00	Not Applicable	00
5	Small Business Capital Credit (enclose Form 527-A).....5	00	Not Applicable	00
6	Oklahoma Agricultural Producers Credit (enclose Form 520).....6	00	Not Applicable	00
7	Small Business Guaranty Fee Credit (enclose Form 529).....7	00	00	00
8	Credit for Qualified Recycling Facility.....8	00	Not Applicable	00
9	Credit for Employers Providing Child Care Programs9	00	Not Applicable	00
10	Credit for Entities in the Business of Providing Child Care Services.....10	00	00	00
11	Credit for Commercial Space Industries.....11	00	Not Applicable	00
12	Credit for Tourism Development or Qualified Media Production Facility12	00	Not Applicable	00
13	Oklahoma Local Development and Enterprise Zone Incentive Leverage Act Credit.....13	00	Not Applicable	00
14	Credit for Qualified Rehabilitation Expenditures14	00	00	00