



OKLAHOMA TAX COMMISSION

LEGISLATIVE UPDATE

PREPARED BY THE COMMUNICATIONS DIVISION
IN CONJUNCTION WITH TAX POLICY AND RESEARCH

2015

This informational packet is not intended to be a complete listing of tax related laws or law changes.
This is an abbreviated listing that highlights those changes effecting a large number of taxpayers.

For further tax information including tax rules, please visit our web site at www.tax.ok.gov
or contact the Oklahoma Tax Commission at (405) 521-3160.



OKLAHOMA TAX COMMISSION

ASSISTANCE GUIDE

(all numbers are within the "405" area code)

Tax Professional Hotline:

The Oklahoma Tax Commission implemented a couple of methods in which tax professionals may by-pass the main telephone line to receive immediate responses to inquiries related to tax issues.

First method:..... Calling 521-6827 or

Second method:..... Emailing questions to: taxprofessionalquestion@tax.ok.gov

Telephone Numbers:

Account Maintenance Division

Main Number 521-4271

Ad Valorem Division

Main Number 319-8200

Communications Division

Main Number 521-3637

Compliance Division

Audit - Main Number 521-3251

Collections - Main Number..... 521-3281

Legal Division

Main Number 319-8550

Motor Vehicle Division

Main Number 521-3221

Tax Policy and Research

Tax Analysts 521-3133

Taxpayer Assistance

Taxpayer Resource Center 521-3160

Website: www.tax.ok.gov

E-mail address: otcmaster@tax.ok.gov

Changes to 2015 Income Tax From 2014 Legislative Session

Credits -

Credit for Contributions to a Scholarship-Granting Organization & Credit for Contributions to an Educational Improvement Grant Organization -

- Adds Subchapter S corporations to those entities that are eligible for the credit. 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.
- Increases the Credit for Contributions to a Scholarship-Granting Organization to 75% of the amount donated the first year for any taxpayer who makes a commitment to contribute the same amount for two additional years.

The following income tax credits have been eliminated:

- Film or Music Project Credit (68 O.S. § 2357.101)
- Credit for Wages Paid to an Injured Employee (68 O.S. § 2357.47)

Summary of 2015 Tax Legislation

INCOME TAX

House Bill 1693 – Effective January 1, 2016

Amends the *Credit for Contributions to a Scholarship-Granting Organization* and the *Credit for Contributions to an Educational Improvement Grant Organization* (68 O.S. § 2357.206). If a taxpayer makes an eligible contribution and makes a written commitment to contribute the same amount for an additional year, the credit will be 75% of the amount of the contributions for each year. This measure also amends several definitions.

House Bill 1825 – Effective May 4, 2015

Amends 68 O.S. § 205.2, which allows for an individual income tax refund to be intercepted and applied to certain debts, to include a debt owed to a state agency for health care or medical services. The measure also includes district attorneys seeking to collect unpaid court-ordered monetary obligations as well as the designee of a qualified entity. The measure removes previously listed entities and replaces them with the term “qualified entity.” House Bill 1825 defines a qualified entity as a state agency, municipal court, district court, public housing authority operating pursuant to 63 O.S. § 1062, or a district attorney when seeking to collect

unpaid court-ordered monetary obligations. Also, the measure repeals Section 1, Chapter 266, O.S.L. 2013 (68 O.S. Supp. 2013, § 205.2).

Senate Bill 247 – Effective November 1, 2015

Removes obsolete language in 68 O.S. § 2357, which inaccurately implies that Oklahoma tax returns will not be adjusted in accordance with certain adjustments made at the federal level. The obsolete language allows tax credits only in 68 O.S. § 2357, even though other sections also authorize tax credits.

Senate Bill 474 – Effective November 1, 2015

Creates a provision on all state individual income tax return forms, for tax years that begin after December 31, 2015, which allows a donation from a tax refund to be made as a contribution to a specified account established pursuant to the provisions of the Oklahoma College Savings Plan. This measure also amends 68 O.S. § 205 by allowing the disclosure of information to the State Treasurer to implement the aforementioned income tax refund donation to the Oklahoma College Savings Plan.

Senate Bill 502 – Effective January 1, 2017

Prohibits the claiming of the Investment/New Jobs Tax Credit (68 O.S. § 2357.4) for any investment or job creation in electric power generation by means of wind as described by the North American Industry Classification System, No. 221119. This measure also makes a technical correction clarifying eligibility based on investment or job creation.

Senate Bill 575 – Effective November 1, 2015

Amends 68 O.S. § 2368.18 (the income tax refund check off program for the benefit of the Oklahoma chapter of the Y.M.C.A. Youth and Government Program) by extending the date such donations can be made to tax years beginning after December 31, 2015, and referencing the language relating to the expiration of refund check off programs under 68 O.S. § 2368.17.

AD VALOREM

House Bill 1407 -- Effective November 1, 2015

Enacts 68 O.S. § 2819.1 to prohibit county assessors from decreasing the assessment ratio used to compute the taxable value of real or personal property without written notice of such intent submitted at least 90 days prior to the decrease taking effect.

House Bill 1743 – Effective November 1, 2015

Amends 68 § 2880.1 which relates to appeals from a county board of equalization to clarify that the county assessor is the proper party defendant in any appeal to the district court brought by the taxpayer and that the taxpayer is the proper party defendant in any appeal to the district court

brought by the county assessor. The language further provides that the county board of equalization shall not, in either case, be considered a party in any litigation from an appeal brought pursuant to 68 O.S. § 2880.1.

House Bill 1962 – Effective May 6, 2015

Amends 68 O.S. § 2807 by striking the inclusion of capital employed in merchandising as a category of personal property and providing that all goods, wares, and merchandise, including oil, gas, and petroleum products severed from the realty along with gas in storage, constitute personal property for purposes of ad valorem taxation.

House Bill 1963 – Effective May 6, 2015

Section 1

Amends 68 O.S. § 2835 by extending the confidentiality provisions of the Section to property lists and documents produced by a taxpayer during discovery in any ad valorem tax appeal in the Court of Tax Review or the district court.

Section 2

Amends 68 O.S. § 2868 to provide that once the total amount of taxes due is calculated and extended to the tax rolls, the amount of taxes due or value upon which the tax was assessed cannot be increased by a final judgment in any tax appeal filed pursuant to 68 O.S. § 2880.1 or 2881. The limitation set forth in the preceding sentence shall not apply in cases of omitted property.

Section 3

Amends 68 O.S. § 2884 to specify that if an appeal is timely filed by a taxpayer¹, the amount of taxes payable by the taxpayer shall not exceed the amount based on the value originally submitted by the assessor to the county board of equalization. This Section further specifies that if an appeal is timely filed by the county assessor¹, the amount of taxes payable shall not exceed the amount of taxes based on the value assessed by the county assessor and submitted to the board of equalization.

Senate Bill 335 – Effective November 1, 2015

Amends 68 O.S. § 2851 by providing that notwithstanding the provisions of 68 O.S. § 205, the Tax Commission must provide the assessor of each county listed in the report required by this Section, schedules which detail descriptions and corresponding values by taxing jurisdiction of all pipeline company property listed in such reports to ensure that property is reported for, and resulting tax revenues are attributed to the correct city, school district and county where taxable property is located.

¹ Pursuant to subsection A of 68 O.S. § 2880.1.

Senate Bill 387 – Effective January 1, 2016

Amends 68 O.S. § 2902 by providing a definition of base payroll² and initial payroll³ applicable to initial applications for the five-year ad valorem exemption filed on or after January 1, 2016. It is amended further to specifically provide an exclusion for any nonrecurring bonuses, exercise of stock option or stock rights or other nonrecurring, extraordinary items included in total payroll numbers⁴ from the payroll calculation for exemption qualification purposes. The measure also provides that an entity or applicant⁵ which has applied for or been granted an exemption for a period which began on or after calendar year 2012 and before calendar year 2016 but which did not meet the payroll requirements of 2902(C)(4)(a) because of nonrecurring bonuses, exercise of stock option or stock rights or other nonrecurring, extraordinary items included in total payroll in the previous year, shall be allowed an exemption, beginning with calendar year 2016, for the number of years, including the calendar year for which the exemption was denied, remaining in the entity's five-year exemption period, provided such entity attains or increases payroll at or above the initial or base payroll established for the exemption.

Senate Bill 498 – Effective January 1, 2017⁶

Amends 68 O.S. § 2902 by providing that effective January 1, 2017, an entity engaged in electric power generation by means of wind⁷ shall not be defined as a qualifying manufacturing concern for purposes of the exemption authorized pursuant to Section 6B of Article X of the Oklahoma Constitution or qualify as a manufacturing facility as defined in 68 O.S. § 2902. It further states that no initial application for exemption shall be filed by or accepted from an entity engaged in electric power generation by means of wind on or after January 1, 2018.

CIGARETTE & TOBACCO PRODUCTS

Senate Bill 248 – Effective November 1, 2015

Strikes subsection (F) of Section 305 and amends subsection (b) of Section 308 of the Cigarette Tax Code, which are two overlapping statutory provisions that allow the exchange of, or credit for, cigarette stamps under various circumstances. The amendment clarifies existing statutory provisions to allow credits to cigarette wholesalers for stamps affixed to packages of cigarettes returned to a manufacturer or not sold and destroyed in the presence of an employee of the Tax Commission. It further provides that credit applications to the Tax Commission must be accompanied by affidavit, copy of bill of lading for shipment to the manufacturer, or other proof

² "Base payroll" shall mean total payroll adjusted for any nonrecurring bonuses, exercise of stock option or stock rights and other nonrecurring, extraordinary items included in total payroll.

³ "Initial payroll" shall mean base payroll for the year immediately preceding the initial construction, acquisition or expansion.

⁴ As reported by the Oklahoma Employment Security Commission.

⁵ Only entities or applicants engaged in an industry as defined under U.S. Industry Number 324110 of the North American Industry Classification System (NAICS) Manual, latest revision are eligible.

⁶ Pursuant to the passage of Senate Bill 85 [2015] which changes the January 1, 2016 effective date of Senate Bill 498 [Enrolled] to January 1, 2017.

⁷ As described by NAICS No. 221119.

required by the Tax Commission. Additionally, the amendment removes the authorization for persons to whom cigarette stamps have been issued to subsequently sell those stamps to any licensed manufacturer, wholesaler, warehouseman, jobber and/or retailer.

MOTOR VEHICLE

Senate Bill 246 – Effective November 1, 2015

Amends 47 O.S. § 7-602 by modifying the procedure for substantiating insurance coverage when registering a motor vehicle. Currently, as part of the vehicle registration process, a vehicle registrant must submit a printed security verification form issued by an authorized insurance carrier for the subject vehicle. The amendment will also allow electronic confirmation of insurance upon submission of certain information which must include the name or number issued by the National Association of Insurance Commissioners of the current insurance carrier authorized to do business in Oklahoma and policy number applicable to the vehicle being registered. The measure further requires submission of other verifying information prior to processing an application for registration or renewal.

Senate Bill 255 – Effective November 1, 2015

Enacts 47 O.S. § 1-103.2 which defines “autocycle”⁸ and requires autocycles to be registered as motor vehicles. In addition, the measure states that the operator of an autocycle shall not be required to have an "M" endorsement on the Class D license⁹.

Senate Bill 331 – Effective November 1, 2015

Amends 47 O.S. § 1134.1 by requiring that the license fees for intercity motor buses be paid to the Tax Commission unless registered under 47 O.S. § 1120. It also requires intracity motor bus fees to be paid to the Tax Commission instead of the Corporation Commission.

Senate Bill 339 – Effective November 1, 2015

Amends 47 O.S. § 1107 by providing an exception to the requirement for a notarized signature on a certificate of title when there is a transfer of vehicle ownership to an insurer resulting from the settlement of a total loss claim.

Senate Bill 451 – Effective November 1, 2015

Amends 47 O.S. § 1107 to exempt a “retail implement dealer” from the title and excise tax payment requirements in connection with the purchase or transfer of off-road vehicles. It also

⁸ An autocycle is defined as any motor vehicle having a seat or saddle for the use of each rider; three wheels in contact with the ground, but excluding a tractor; a combustion engine with a piston or rotor displacement of 150 cu cm or greater; a fully enclosed compartment for the driver and any passenger; for each occupant, safety belts or safety shoulder harnesses which shall be of a type and shall be installed pursuant to 49 C.F.R. § 571.208 et seq.; and all equipment required by the provisions of Article II et seq. of Chapter 12 of Title 47 of the Oklahoma Statutes, with respect to equipment on vehicles.

⁹ 47 O.S. § 6-110.1.

requires a “retail implement dealer” in connection with the sale or disposal of off-road vehicles when selling or otherwise disposing of a vehicle to execute and deliver to the purchaser the certificate of title properly and completely reassigned. It further defines "off-road vehicles"¹⁰ and “retail implement dealer”¹¹.

Senate Bill 465 – Effective November 1, 2015

Amends 47 O.S. § 1110 by imposing additional penalties upon a secured party that fails, upon written demand, to furnish a lien release to a debtor within seven business days after lien satisfaction. The additional penalty is imposed at \$100.00 per day for each additional day beyond the seven business days allowed to provide the lien release and is capped at \$1,500.00 or the value of the vehicle, whichever is less.

Senate Bill 592 – Effective November 1, 2015

Section 7

Amends 47 O.S. § 1137.1 by requiring the acquisition of a dealer license plate for use by an individual holding a valid salesperson’s license issued by the Oklahoma Used Motor Vehicle and Parts Commission.

SALES & USE TAX

House Bill 1400 – Effective November 1, 2015

Enacts 68 O.S. § 1354.36 to provide that after January 1, 2016, every sales tax levy submitted to county voters for approval shall embrace but one subject, which shall be clearly expressed on the ballot. The measure also amends 68 O.S. §§ 1370-1370.8, relating to the levy of county sales tax, by striking obsolete language and updating statutory citations.

Senate Bill 336 – Effective November 1, 2015

Amends 68 O.S. § 1356 which provides a sales tax exemption for sales by an organization or entity which is exempt from taxation pursuant to the provisions of the Internal Revenue Code, 26 U.S.C., § 501(c)(3) which are related to a fundraising event sponsored by the organization or entity when the event does not exceed any five consecutive days and when the sales are not in the organization’s or entity’s regular course of business. The provided exemption is limited to tickets sold for admittance to the fundraising event and items, which were donated to the organization or entity, for sale at the event.

¹⁰ “Off-road vehicles” means all-terrain vehicles, utility vehicles, and motorcycles used exclusively for off-road use.

¹¹ “Retail implement dealer” means a business engaged primarily in the sale of farm tractors as defined in 47 O.S. § 1-118 or implements of husbandry as defined in 47 O.S. § 1-125 or a combination thereof.

Senate Bill 574 – Effective November 1, 2015

Amends 3A O.S. § 421 by exempting a 501(c)(3) charitable healthcare organization from the charity games tax. The measure also amends 68 O.S. § 1355 by exempting a 501(c)(3) charitable healthcare organization from sales tax on charitable games equipment.

MISCELLANEOUS

Senate Bill 499 – Effective August 21, 2015

Creates the Facilitating Business Rapid Response to State Declared Disasters Act of 2015 to provide that out-of-state businesses that come to Oklahoma to help aid in disaster relief will not be considered to have established a level of presence to register, file, or remit state or local taxes, nor would they be subject to state licensing and registration requirements during the disaster response period. 68 O.S. § 55005

ALCOHOL, MIXED BEVERAGES AND LOW-POINT BEER

Senate Bill 425 – Effective November 1, 2015

Section 1

Amends 37 O.S. § 506 by providing for a definition of private event and by clarifying that certain alcoholic beverages sold by a public event and charitable event constitute mixed beverages.

Section 2

Amends 37 O.S. § 521 by providing that holders of an annual or one-time public event license may choose to utilize the services of a licensed caterer to provide and distribute alcoholic beverages at their events. The licensed caterer utilized by the public event licensee shall be responsible for payment of all applicable mixed beverages taxes pursuant to the mixed beverage permit issued by the Tax Commission.

Section 9

Amends 37 O.S. § 554 by exempting from the alcohol excise tax alcoholic beverages provided to attendees, free of charge, at charitable events licensed and approved by the ABLE Commission and mixed beverage and public event licensees, which utilize the services of a licensed caterer.

Section 10

Amends 37 O.S. § 577 to provide that holders of mixed beverage and public event licenses issued by the ABLE Commission utilizing the services of a caterer are not required to obtain a mixed beverage permit from the Tax Commission.

QUALITY JOBS

Senate Bill 71 – Effective November 1, 2015

Amends 68 O.S. § 3603 (Oklahoma Quality Jobs Program Act) to add establishments that are classified in the North American Industrial Classification System (NAICS) Manual under *Industry Number 112310 - Chicken Egg Production* as eligible for the incentive.

WORKERS COMPENSATION

House Bill 2238 – Effective July 1, 2015

Section 3

Amends 85A O.S. § 31 by striking the current limitation that only one-third of Multiple Injury Trust Fund assessments against insurance carriers and CompSource Oklahoma may be charged to policyholders and shall not be considered in determining whether any rate is excessive. It further deletes the prohibition against the remaining two-thirds of the assessments being included in any rate, premium, charge, fee, or assessment of other amounts to be collected from a policyholder.

ADMINISTRATIVE

House Bill 2182 – Effective November 1, 2015

Enacts the *Incentive Evaluation Act* at 62 O.S. §§ 7001 – 7005. This measure creates the Incentive Evaluation Commission charged with ensuring that state incentives are evaluated at least once during every four-year period, establishing evaluation criteria and providing a timeline for implementation. This measure further creates the Incentive Approval Committee as a subcommittee of the Incentive Evaluation Commission.

House Bill 2235 – Effective August 21, 2015

Amends 68 O.S. § 264 to authorize the Tax Commission to enter into a contract with qualified entities to acquire or utilize technology systems, information or services to assist in authenticating income tax returns to identify potentially fraudulent refund claims.

House Bill 2236 – Effective May 20, 2015

Amends 68 O.S. § 216.3 to establish the Voluntary Compliance Initiative (PAYRight OK) for collection of certain eligible delinquent taxes during the period of September 14, 2015 through November 13, 2015. Taxpayers that remit delinquent eligible taxes through the initiative will receive a full waiver of penalty, interest and most collection fees and costs.

Senate Bill 214 – *Effective November 1, 2015*

Amends 68 O.S. § 2875 by removing certain employment qualifications of the Director of the Ad Valorem Division of the Tax Commission.

Senate Bill 338 – *Effective November 1, 2015*

Amends 68 O.S. § 205 by allowing the Tax Commission to disclose specific information to the Oklahoma Health Care Authority for purposes of determining eligibility for current or potential recipients of assistance from the Oklahoma Medicaid Program.

Senate Bill 463 – *Effective November 1, 2015*

All taxable years which begin on or after January 1, 2016, the Oklahoma Tax Commission shall establish forms and procedures for an aggregate business filing and remittance. The computation of tax liability and the amount of any fees determined by use of the aggregate business filing shall be in all respects identical to the computation of such liability pursuant to the Oklahoma Income Tax Act, the Franchise Tax Code and the Oklahoma General Corporation Act.

Senate Bill 806 – *Effective January 1, 2016*

Enacts 46A O.S. § 62 to require any economic incentive provision enacted after January 1, 2016 to include a measurable goal or goals. In this measure “incentive” is defined as any provision available to a business entity in the form of a credit, exemption, deduction or rebate pertaining to a state tax liability of any kind; any grant, loan or financing program offered by the state or a state-beneficiary public trust; or any program for incentive payments from the state.