



**Oklahoma Tax Commission  
2019 Proposed Administrative Rules Changes  
February 4, 2019**

The Oklahoma Tax Commission has published proposed changes to the administrative rules with respect to Oklahoma taxes ("OTC Rules") for 2019.

OTC Rules are formal statements of policy written by the Tax Commission as a state agency which have the effect of law. The Oklahoma Legislature enacts tax laws and the Tax Commission is responsible for implementing them. OTC Rules have important effect because the Tax Commission considers them *prima facie* evidence of a proper interpretation of the law and presumed to be valid until declared otherwise by a court of competent jurisdiction. Proposed changes of the OTC Rules must be approved by the Oklahoma Legislature before becoming effective.

Any interested person may submit written comments on the proposed changes during the comment period, which is through February 18, 2019, 4:30 p.m. Comments may be sent to the Oklahoma Tax Commission, Tax Policy and Research Division, 2501 North Lincoln Boulevard, Oklahoma City, OK 73194. All comments must be considered by the Tax Commission. Hearings by the Tax Commission will be held on each proposed change to the OTC Rules on February 19, 2019, at times stated in the published proposed rules. Persons wishing to make oral comments at the scheduled public hearing should request placement on the docket in advance of the hearing date by calling (405) 521-3133.

This summary describes *some* of the proposed changes of the OTC Rules. There are *other* proposed changes stated in the full text published online by the Tax Commission. [Click here](#) to view the full 2019 proposed changes of the OTC Rules.

The Tax Commission proposed changes of the OTC Rules include the following:

**Title 710, Chapter 50. Income Tax**

Comment Period: through February 18, 2019 by 4:30 p.m.

Public Hearing Date: February 19, 2019, at 10:00 a.m.

Non-Resident Royalty Owners. Section 710:50-3-53 has been amended to clarify existing policy that non-resident royalty interest owners who are pass-through entities (e.g. partnership, S corporation, limited liability company) shall allocate non-resident royalty withholding to the partners, shareholders or members in the same manner as royalty income.

Qualified Vehicle Manufacturing Credits. Section 710:50-15-116 has been added to implement provisions of SB 1585, enacted in 2018, which creates an income tax credit for qualified employers and employees in the vehicle manufacturing industry.

Foreign Repatriated Income. Section 710:50-17-51 has been amended to clarify that foreign income deemed repatriated under section 965 of the Internal Revenue Code (“Code”) and global intangible low-taxed income included in a taxpayer’s federal income tax return taxable under section 951A of the Code will be considered dividend income for purposes of 68 O. S. §2358(A)(4)(b) governing allocation of income to Oklahoma and other states.

Itemized Deduction Limitation. Section 710:50-15-50 has been amended to implement legislation enacted by the Oklahoma Legislature that capped itemized income tax deductions of individual taxpayers at \$17,000.

Coal Credit Limitation. Section 710:50-15-76 has been amended to implement legislation enacted by the Oklahoma Legislature that capped the coal income tax credit.

Railroad Credit Limitation. Section 710:50-15-103 has been amended to implement legislation enacted by the Oklahoma Legislature that capped the railroad reconstruction and replacement income tax credit.

### **Title 710, Chapter 65, Sales and Use Tax**

Comment Period: through February 18, 2019 by 4:30 p.m.

Public Hearing Date: February 19, 2019, at 11:00 a.m.

Definition Amendments. Section 710:65-19-365 has been amended to conform to the statutory definitions of “gross receipts,” “gross proceeds,” or “sales price,” as amended.

Medical Marijuana Sales Tax Rule. Section 710:65-19-216 sets forth definitions, general permitting requirements and information regarding the computation of sales tax as applicable to the sale of medical marijuana.

Tax Commission Policy on Rentals. Section 710:65-191 has been amended to outline current Tax Commission policy regarding sales taxability of purchase and sales transactions by businesses engaged in rental and or laundering and cleaning of various fabric and other items and to withdraw any previous contrary statements.

Sales of Photographs, Videos, Service. Section 710:65-19-260 has been amended to clarify sales tax treatment of sales of photographs and videos and associated services.

Installation, Alteration, Special Service Charges Rule Revocation. Section 710:65-19-158 concerning installation, alteration and special service charges of a vendor related to the sale of tangible personal property has been revoked as unnecessary and certain provisions thereof being in possible conflict with existing statutory provisions.

### **Title 710, Chapter 45, Gross Production**

Comment Period: through February 18, 2019 by 4:30 p.m.

Public Hearing Date: February 19, 2019, at 2:00 p.m.

Exemptions and Exclusions. Title 710, Subchapter 9, "*Exemption and Exclusions*," and Section 710:45-3-11 have been amended to implement the provisions enacted in 2017 which changed the sunset date for the qualification of various gross production tax incentive exemptions and permanently suspended the remaining term periods for such incentives.

### **Title 710, Chapter 90, Withholding**

Comment Period: through February 18, 2019 by 4:30 p.m.

Public Hearing Date: February 19, 2019, at 10:00 a.m.

Withholding Rates and Brackets. Sections 710:90-1-5, 710:90-1-6, 710:90-1-7, and 710:90-1-11 have been amended in response to the release of an updated W-4 by the Internal Revenue Service which reflects this year's revised tax rates and brackets.

Non-Resident Royalty Interests Withholding. Section 710:90-3-10 has been amended to clarify existing policy that non-resident royalty interest owners who are pass-through entities shall allocate the non-resident royalty withholding to its partners, shareholders or members in the same manner as the royalty income.

### **Title 710, Chapter 10, Ad Valorem Tax**

Comment Period: through February 18, 2019 by 4:30 p.m.

Public Hearing Date: February 19, 2019, at 1:30 p.m.

Equalization Study Expansion. Section 710:10-3-36 is amended to bolster the accuracy of sales edit portion of the equalization study by expanding the period of time for completion of county sales edits and corresponding review thereof the Ad Valorem Division of the Tax Commission. An equalization study is conducted and published annually for purposes of reporting to the State Board of Equalization the ratio derived from comparing the assessed value of the real property of each county to the full or fair cash value of such real property.

### **Title 710, Chapter 1, Administrative Operations**

Comment Period: through February 18, 2019 by 4:30 p.m.

Public Hearing Date: February 19, 2019, at 9:30 a.m.

Partial Release of Tax Warrant or Lien. Section 710:1-3-80 has been amended to clarify existing policy regarding procedures for partial release of a tax warrant or lien.

Criminal Prosecution. New Section 710:1-5-14.1 has been added to clarify the Tax Commission's statutory authority to pursue criminal prosecution in appropriate cases.

District Court Approval of Tax Commission Waiver. Sections 710:1-5-86 and 710:1-5-88 have been amended consistent the increased minimum amount of \$25,000 necessary for district court approval of an agreement entered into between a taxpayer and the Tax Commission to settle or compromise any controversy relating to taxes collectible by the Tax Commission.

### **Title 710, Chapter 20, Alcohol and Mixed Beverages**

Comment Period: through February 18, 2019 by 4:30 p.m.

Public Hearing Date: February 19, 2019, at 1:30 p.m.

Tax Remittance Responsibility. Sections 710:20-1-2 and 710:20-3-2 are proposed to be amended to clarify tax remittance responsibilities for alcohol excise tax.

### **Title 710, Chapter 60, Motor Vehicles**

Comment Period: through February 18, 2019 by 4:30 p.m.

Public Hearing Date: February 19, 2019, at 3:00 p.m.

License Plate in Change of Ownership. Subchapter 3, *Registration and Licensing*, is proposed to be amended to implement the provisions of legislation enacted in 2018 which amended the Oklahoma Vehicle License and Registration Act to provide for a system where upon change in vehicle ownership the license plate previously issued for said vehicle remains with the owner.

Sales Price Determination. Subchapter 5, *Motor Vehicle Titles*, has been amended to clarify the documentation that controls the determination of actual sales price of a used vehicle for purposes of calculating the amount of excise/sales tax due on vehicle transfers.

### **Title 710, Chapter 95, Miscellaneous Areas of Regulatory and Administrative Authority**

Comment Period: through February 18, 2019 by 4:30 p.m.

Public Hearing Date: February 19, 2019, at 11:00 a.m.

Quality Event Incentive Act Amendments. Subchapter 21, *Quality Events*, has been amended to reflect the changes made to the Quality Event Incentive Act, 68 O.S. §§ 4301 et seq., by legislation enacted in 2018, effective July 1, 2018, modifying qualification procedures for quality event recognition along with the determination of incremental sales tax occurring as a result of an event.

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