

STATE OF OKLAHOMA
OKLAHOMA CAPITAL GAIN DEDUCTION
FOR RESIDENTS FILING FORM 511

TAX YEAR 2005
FORM 561

(QUALIFYING ASSETS HELD FOR THE APPLICABLE 3 OR 5 YEAR PERIOD)

Name(s) as shown on return	Social Security Number		

1. List qualifying Oklahoma capital gains and losses, not included on lines 2 through 5 below.

A. Description of Property and Oklahoma Location or Federal ID Number	B. Date Acquired (month, day, year)	C. Date Sold (month, day, year)	D. Sales Price	E. Cost or Other Basis	F. Gain or (loss)

2. Qualifying Oklahoma capital gain from installment sales reported on federal Schedule D, line 11. Enclose federal Form 6252	2	
3. Qualifying Oklahoma net capital gain from sale of business property reported on federal Schedule D, line 11. Enclose federal Form 4797	3	
4. Other qualifying Oklahoma net capital gain or (loss) reported on federal Schedule D, line 11, not included on lines 2 and 3 above. Enclose applicable federal form(s)	4	
5. Qualifying Oklahoma net capital gain or (loss) from partnerships, S corporations, estates or trusts reported on federal Schedule D, line 12. Enclose federal Schedule K-1	5	
6. Add amounts in column F on line 1 and lines 2 through 5	6	
7. Qualifying Oklahoma capital loss carryover reported on federal Schedule D, line 14. (See instructions)	7	
8. Qualifying Oklahoma net capital gain. Subtract line 7 from line 6 (If zero or less, enter -0-)	8	
9. Net Oklahoma capital gain included in Federal adjusted gross income. (See instructions for worksheet) (If zero or less, enter -0-)	9	
10. Oklahoma Capital Gain Deduction. Enter the smaller of lines 8 or 9 here and on Form 511, Schedule 511-A, line 10 (Do not enter less than - 0 -)	10	

Enclose Federal Schedule D

OKLAHOMA CAPITAL GAIN DEDUCTION TITLE 68 SECTION 2358 & RULE 710:50-15-48

General Information

Individual taxpayers can deduct qualifying gains receiving capital gain treatment which are included in federal taxable income. "Qualifying gains receiving capital treatment" means the amount of net capital gains, as defined under Internal Revenue Code Section 1222(11). The qualifying gain must result from:

1. the sale of real or tangible personal property located within Oklahoma that has been owned for at least five uninterrupted years prior to the date of the transaction that gave rise to the capital gain; or
2. the sale of stock or an ownership interest in an Oklahoma company, limited liability company, or partnership where such stock or ownership interest has been owned for at least three uninterrupted years prior to the date of the sale.

An Oklahoma company, limited liability company or partnership is an entity whose primary headquarters has been located in Oklahoma for at least three uninterrupted years prior to the date of sale.

A capital loss carryover from qualified property reduces the current year gains from eligible property.

Pass-through entities....

Capital gain from qualifying property, as described above, held by a pass-through entity is eligible for the Oklahoma capital gain deduction, provided the individual has been a member of the pass-through entity for an uninterrupted period of the applicable three or five years and the pass-through entity has held the asset for not less than the applicable three or five uninterrupted years prior to the date of the transaction that created the capital gain. The type of asset sold, as shown in 1 and 2 above, determines whether the applicable number of uninterrupted years is three or five. The pass-through entity must provide supplemental information to the individual identifying the pass-through of qualifying capital gains.

Installment sales...

Qualifying gains included in an individual taxpayer's federal taxable income for years after December 31, 2004, which are derived from installment sales are eligible for exclusion, provided the appropriate holding periods are met.

Specific Instructions

Line 1: List qualifying Oklahoma capital gains and losses. Complete columns A through F using the information from the federal Schedule D, line 8 or from federal Schedule D-1, line 8. Also in column A, enter either the Oklahoma location of the real or tangible personal property sold or the Federal Identification Number of the company, limited liability company or partnership whose stock or ownership interest was sold. Do not include gains and losses reported on Form 561 lines 2 through 5.

Line 2: If federal Form 6252 was used to report the installment method for gain on the sale of eligible property on the federal return, compute the capital gain deduction using the current year's taxable portion of the installment payment. Enclose federal Form 6252. Capital gain from an installment sale is eligible for the Oklahoma capital gain deduction provided the property was held for the appropriate holding period as of the date sold.

Line 3: Enter the qualifying Oklahoma net capital gain, reported on federal Schedule D, from the federal Form 4797. Enclose a copy of the federal Form 4797.

Line 4: Enter other qualifying Oklahoma capital gains reported on federal Schedule D, line 11. Enclose the applicable federal form(s). If not shown on the federal form, enclose a schedule identifying the type and location of the property sold, the date of the sale, and the uninterrupted holding period of the property.

Line 5: Enter qualifying Oklahoma net capital gain or loss from partnerships, S corporations, trusts and estates. Enclose a copy of the federal Schedule K-1. Enclose a schedule identifying the type and location of the property sold, the date of sale, the uninterrupted holding period of the property by the pass-through entity as of the date of sale, and the uninterrupted period of time the individual has been a member of the pass-through entity.

Line 6: Enter the total of gains and losses in column F for lines 1 through 5.

Line 7: Enter the total qualifying Oklahoma capital loss carryover from the prior year's return.

Line 9: The Oklahoma capital gain deduction may not exceed the Oklahoma portion of the net capital gain included in the federal adjusted gross income. To determine the Oklahoma net capital gain, complete the following worksheet:

Worksheet (You may find it helpful to complete Form 511, lines 4 and 6 before completing this worksheet.)		
Enter the amount from Form 1040, line 13		
Add Out-of-State Capital Losses included on Form 511, line 6 (enter as a positive number) +	+	
Subtract Out-of-State Capital Gains included on Form 511, line 4	-	
Total — Enter on the front of form on line 9	=	

Note: The Oklahoma net capital gain must be decreased for any capital gain or increased for any capital loss from the sale of state and municipal bonds exempt from Oklahoma income tax.