State of Oklahoma

Oklahoma Capital Gain Deduction for Residents Filing Form 511

(Qualifying Assets Held for the Applicable 2 or 5 Year Period)

Tax Year 2006

Form **561**

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.

A1. Description of Property / A2. Oklahoma Location or Federal ID Number	B. Date Acquired (mm/dd/yy)	C. Date Sold (mm/dd/yy)	D. Sales Price	E. Cost or Other Basis	F. Gain or (loss)
A1) / A2)					
A1) / A2)					
A1) / A2)					
A1) / A2)					
A1) / A2)					
A1) / A2)					
A1) / A2)					

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 in 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. Oklahoma net capital gain included in Federal adjusted gross income. See instructions and 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 11. (Do not enter less than zero)	10	

Enclose Federal Form 1040 Schedule D

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Title 68 Section 2358 and Rule 710:50-15-48

General Information

Individual taxpayers can deduct qualifying gains receiving capital gain treatment which are included in Federal adjusted gross 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 two 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 two or five years and the pass-through entity has held the asset for not less than the applicable two 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 two 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 adjusted gross income for the current year 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 from Federal Schedule D, line 8 or from Federal Schedule D-1, line 8. In Column A, line A1 enter the description of the property as shown in Federal Column A. On line A2 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. Complete Columns B through F using the information from the corresponding columns of the Federal Schedule D or D-1. 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.

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Title 68 Section 2358 and Rule 710:50-15-48

Specific Instructions - continued

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 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 net capital gain included in Federal adjusted gross income. To determine the Oklahoma net capital gain, complete the following worksheet:

Refer to the instructions for Form 511, line 4 and Form 511, Schedule 511-B, line 2 to determine what gains and losses are considered "out-of-state". (Generally, sale of an intangible, such as stock, is not considered out-of-state.)

A	Net Short-Term Capital Gain (or loss) from Federal Schedule D, line 7		
B	Add Out-of-State Capital Losses included in line A above	**+**	
C	Subtract Out-of-State Capital Gains included in line A above	**-**	
D	Net Oklahoma Short-Term Capital Loss (if greater than zero, enter "0")		
E	Net Long-Term Capital Gain (or loss) from Federal Schedule D, line 15		
F	Add Out-of-State Capital Losses included in line E above	**+**	
G	Subtract Out-of-State Capital Gains included in line E above	**-**	
H	Net Oklahoma Long-Term Capital Gains (if less than zero, enter "0")		
I	Oklahoma Net Capital Gain - Enter on the front of form on line 9 (combine lines H and D) (if less than zero, enter "0")		

Note: For U.S. Government and municipal bonds, which are exempt from Oklahoma tax, include any capital gain on the Out-of-State Capital Gains line (Line C or G) and any capital loss on the Out-of-State Capital Losses line (Line B or F).