OKLAHOMA TAX COMMISSION

TAX POLICY AND RESEARCH DIVISION
TONY MASTIN, DIRECTOR

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September 14, 2000

Re: Our file number LR 00-182; Income Tax - Treatment of IRA Distributions and U.S. Government Mutual Funds

Dear

This is in response to your inquiry of September 14, 2000 wherein you requested information concerning the Oklahoma income tax treatment of IRA distributions either from traditional IRA's or Roth IRA's. You further requested guidance on the taxability of interest from an IRA invested in an U.S. Government mutual fund.

As to the IRA distribution issue, Oklahoma is a federally based state for state income tax purposes. Our starting point in calculating Oklahoma Taxable income is federal AGI. IRA distributions included in federal AGI are taxable to Oklahoma.

As to the U.S. Government interest issue, Oklahoma does not tax interest income from U.S. Government interest. (68 O.S. § 2358). Oklahoma Tax Commission Rule 710:50-15-56 defines U.S. Government obligations and provides for the exclusion of U.S. interest to be applied to mutual funds. Oklahoma Tax Commission Order 88-10-20-27 is the case that allowed for the distribution from mutual funds investing in U.S. Government obligations. I have enclosed copies of the rule and the case for your review.

This response applies only to the circumstances set out in your request of August 17, 2000. Pursuant to Commission Rule 710:1-3-73(e), this Letter Ruling may be generally relied upon **only** by the entity to whom it is issued, assuming that all pertinent facts have been accurately and completely stated, and that there has been no change in applicable law.

If I can be of further assistance, please feel free to call me at (405) 521-3133.

Sincerely,

FOR THE OKLAHOMA TAX COMMISSION

Michael C. Kaufmann
Tax Policy Analyst