

OKLAHOMA TAX COMMISSION

TAX POLICY AND RESEARCH DIVISION
TONY MASTIN, DIRECTOR

PHONE (405) 521-3133
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September 18, 2000

Re: Our file number LR 00-187; Income Tax - Military Retirement Pay Survey

Dear

This is in response to your inquiry of August 11, 2000 in which you requested information regarding Oklahoma's income tax treatment of military retirement pay. Following is a restatement of the specific questions posed, along with our response thereto.

1. Is military pay subject to your state income tax regardless of the reason for which a service member was retired? If so, what special exemptions, if any, are granted?

Military retirement pay (benefits received from any component of the Armed Forces of the United States), to the extent included in federal adjusted gross income, is subject to Oklahoma income tax (68 O.S. § 2358). Oklahoma does allow for an exemption of five thousand five hundred dollars (\$5,500) of military retirement pay provided this amount is included in federal adjusted gross income.

2. Is any portion of military disability retired pay exempt from state tax such as on Federal returns? If so, what specific exemptions, if any, are granted?

Disability related benefits, to the extent included in federal adjusted gross income, are subject to Oklahoma income tax. The same \$5,500 exemption outlined above applies to disability benefits received from any component of the Armed Forces of the United States if such income is treated as retirement benefits for federal income tax purposes and is included in federal adjusted gross income.

3. What is the address and telephone number service members can use to obtain more detailed information and order tax forms?

*Primary mailing address:
Oklahoma Tax Commission
2501 Lincoln Boulevard
Oklahoma City, OK 73194*

The main telephone number for Taxpayer Assistance is (405) 521-3160. Detailed information can be obtained from that number or questions can also be sent to us via email to: otcmaster@oktax.state.ok.us. Forms can be ordered by calling (405) 521-3108 and leaving a message on the recording. We also offer a forms FaxBack Service by calling (405) 522-0465. Forms are also available on our website.

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4. What is your website address?

www.oktax.state.ok.us

5. Do you allow taxpayers to (a) file forms generated by computerized tax programs or (b) file electronically by modem?

(a) Taxpayers are allowed to file computer generated forms so long as they are a reasonable facsimile of the OTC printed version. Several commercial software packages have Oklahoma forms. Please see our website for approved software vendors.

(b) Oklahoma does offer two methods of electronic filing. 1) Taxpayers can file via the Internet. Internet filing is available from our website. 2) We also allow electronic filing in conjunction with federal electronic filing through approved practitioners. For more information on the electronic filing process, please call (405) 521-3124.

6. Does your state use the Kansas/California method for taxing nonresidents - ascertaining what the members tax rate would have been if all of his or her income had been taxable in the state and taxing the taxable portion at that rate?

Oklahoma does use the Kansas/California method. We calculate the nonresident's tax as if all the income were earned in Oklahoma and apply a percentage to that tax based on Oklahoma source income. I have enclosed OTC Form 511NR for your review.

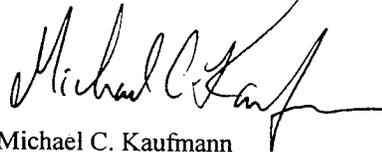
7. Does your state permit separate returns if a joint federal return is filed?

No.

I trust this information is helpful to you. 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