



OKLAHOMA TAX COMMISSION

TAX POLICY AND RESEARCH DIVISION
TONY MASTIN, DIRECTOR

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February 19, 2001

Re: Our file number LR 01-05; Income Tax - Corporate Income Apportionment and Allocation Issues

Dear

Your inquiry of January 9, 2001 to Chairman Anderson has been forwarded to me for a response. In your letter you posed several questions concerning corporate income tax apportionment and allocation issues. Following is a restatement of your questions along with our response thereto.

Question 1:

Has your state officially adopted the Multistate Tax Commission's recommended income apportionment formula as set out in the Uniform Division of Income for Tax Purposes Act? In the alternative, does a corporation have the option, as permitted in some states of electing to use the uniform apportionment formula as opposed to the formula as otherwise prescribed?

Response to Question 1:

No. Oklahoma's apportionment formula is outlined in 68 O.S. § 2358. A copy is enclosed for your review.

Question 2:

Does your state classify a corporation's income as business income or non-business income according to the referenced Uniform Division of Income for Tax Purposes Act?

Response to Question 2:

No. Please find enclosed Oklahoma Tax Commission Rule 710:50-17-51 for the treatment of income for allocation purposes.

Question 3:

In the application of the apportionment formula prescribed in your State's statute, what special procedural provisions are to be considered and honored if the corporation's commercial domicile is ultimately held to be your State?

Response to Question 3:

Please find enclosed Oklahoma Tax Commission Rules 710:50-17-70 and 71 for a discussion of apportionment factors.

Question 4:

Under what circumstances are consolidated income tax returns required or permitted?

Response to Question 4:

Please see enclosed O.S. 68 § 2367.

Question 5:

Under what circumstances is separate accounting permitted or to be utilized in determining a corporation's income to be taxed by your State? Is separate accounting optional to the corporation or is prior approval required?

Response to Question 5:

Separate accounting is generally required for oil and gas activities. Please also see previously referenced Oklahoma Tax Commission Rule 710:50-17-51 for the allocation of separate income.

Question 6:

For start-up and newly expanded businesses, what allowances and departures from the income apportionment statute are permissible for the transitional years during which the corporation may be expected to encounter added operational expense?

Response to Question 6:

There is no special consideration for startups. However above referenced 68 O.S. § 2358 allows for adjustments to the apportionment formula under certain conditions.

This response applies only to the circumstances set out in your request of January 9, 2001. 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