

OKLAHOMA TAX COMMISSION

TAX POLICY AND RESEARCH DIVISION
TONY MASTIN, DIRECTOR

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September 19, 2002

Re: Our file number LR02-057; Income Tax; Withholding regarding executive compensation and life insurance coverage.

Dear

This letter is in response to your inquiry received in this office May 15, 2002 wherein you requested guidance concerning the Oklahoma income tax withholding. Following is a restatement of the facts outlined in your correspondence, your question and our response thereto.

FACTS:

There are certain former employees of _____ who receive executive compensation after they no longer work for you company. This compensation consists of bonus payments, incentive compensation, as well as stock and dividend option exercises.

_____ also provides retired employees with life insurance coverage in excess of \$50,000. These can be for the final year employed as well as subsequent years. The imputed income is calculated on the excess according to the group term life calculations.

QUESTION:

Does your state require that we report these amounts for state withholding and state unemployment purposes?

RESPONSE:

Oklahoma generally defaults to federal income tax treatment. I have enclosed for your review Oklahoma Tax Commission Rule 710:90-1-13 regarding the Oklahoma income tax withholding requirements for pensions, annuities, and other deferred compensation.

With respect to unemployment taxes, those are administered by the Oklahoma Employment Security Commission. Any questions relating to unemployment should be directed to them at the following address:

*Oklahoma Employment Security Commission
Will Rogers Memorial Office Building
2401 Lincoln Boulevard
Oklahoma City, OK 73152-2003*

This response applies only to the circumstances set out in your request of May 15, 2002. Pursuant to Commission Rule 710:1-2-73(e), this Letter Ruling may be generally relied upon **only** by the entity to whom it is issued, assuming that all the pertinent facts have been accurately and completely stated, and that there has been no change in applicable law.

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

Sincerely,

FOR THE OKLAHOMA TAX COMMISSION



Michael C. Kaufman
Tax Policy Analyst