

# OKLAHOMA TAX COMMISSION

TAX POLICY AND RESEARCH DIVISION  
TONY MASTIN, DIRECTOR

PHONE (405) 521-3133  
FACSIMILE (405) 522-0063

January 16, 2003

Re: Our file number LR 02-224; Income Tax - Survey regarding a variety of issues

Dear

This is in response to your inquiry of December 2, 2002 wherein you requested information regarding Oklahoma income tax. Following is a restatement of the specific questions you posed, along with our response.

Question 1. How does your state account for federal and state tax deductibility on federal and state income tax returns?

Response 1. *Oklahoma allows individual taxpayers to itemize deductions if they itemize deductions for federal income tax purposes (68 O.S. § 2358). As such, any state and local taxes are deductible. As to the deductibility of federal taxes, Oklahoma allows for the federal taxes to be deducted in arriving at method two Oklahoma taxable income. I have enclosed a copy of the instructions for Oklahoma form 511 for your review.*

Question 2. Does your state tax municipal bond income on out-of-state municipals bonds?

Response 2. *Yes*

Question 2a. If your state generally does tax municipal bond income on out-of-state municipals bonds, are any bonds issued in other state or the District of Columbia exempt from state taxation (not including Puerto Rico, Guam, and other U.S. territories)?

Response 2a. *No.*

Question 3. Does your state tax municipal bond income on in-state municipal bonds?

Response 3. *Certain in-state bonds are exempt from Oklahoma income tax, while others are not. Please see enclosed list for specific tax treatment of Oklahoma bond issuances.*

Question 4. Are intangible taxes levied on in-state municipal bonds?  
Are intangible taxes levied on out-of-state municipal bonds?

Response 4. *Oklahoma does not impose an intangible's tax.*

Question 5. Please complete or attach current rates of taxation and include the graduated income levels if applicable for the 2003 tax year.

Response 5. *I have enclosed a copy of the income tax rate schedules.*

Question 6. Were there any changes to your state's tax code in 2002 or are changes pending for 2003 that would affect holders of municipal bonds?

Response 6. *No changes occurred in 2002 that would affect bondholders. As to pending changes for 2003, please be advised that the Oklahoma legislature is scheduled to be in regular session beginning February 3, 2003 until May 30, 2003. You are welcome to check back with me after the legislature adjourns to discuss any changes that may have been enacted during the 2003 legislative session.*

This response applies only to the circumstances set out in your request of December 2, 2002. 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.

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