OKLAHOMA TAX COMMISSION

TAX POLICY DIVISION
DAWN CASH, DIRECTOR

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March 5, 2008

Re: LR-07-155

Dear

I apologize for any inconvenience my delay in responding may have caused you. This is in response to your request for information regarding income taxability of timber sales for income tax purposes. In your correspondence you indicated that "your Client has acres of land in Oklahoma on which there is timber almost ready to cut. A Timber Company is trying to buy timber and land from him".

The determination of whether the income generated from the sale of timber is subject to Oklahoma income tax hinges on two factors. One - is the income from the sale included in federal Adjusted Gross income of an individual. If the answer is yes, then that income is also subject to Oklahoma income tax, since we use federal Adjusted Gross Income as our starting point in computing Oklahoma Taxable income. Two - if the transaction is a capital gain transaction and meets the holding period requirement, then it is possible to exclude the capital gain income from Oklahoma taxable income per 68 O.S. § 2358 (F). Your inquiry did not give enough specific information, so we are unable to answer at this time.

This response applies only to the circumstances set out in your request of September 18, 2007. 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 contact me.

Sincerely,

OKLAHOMA TAX COMMISSION

Brenda J. Sullivan

Brenda J. Sullivan
Tax Policy Analyst