December 16, 2011

Re: LR 11-051; Income Tax - Retirement Exclusion

Dear

This is in response to your inquiry of March 29, 2011wherein you requested guidance concerning the "Other Retirement" Exclusion for Oklahoma income tax purposes. What follows is verbatim your facts and requested guidance and our response thereto.

FACTS AND QUESTIONS:

I have some (sic) various scenario's in which I am needing to know if they qualify for the "Other Retirement Income Exclusion of 10,000"

I inherit an IRA it is paid to me as a death benefit, I am 30 years old, is this excluded?

I am unemployed with a teachers retirement from this is coded as an early distribution, I am 35 old, is this excluded?

What is an example of a retirement that does not qualify for the exclusion of Form 511 page 3 line 6?

OTC RESPONSE:

Generally, Oklahoma allows up to ten thousand dollars ($10,000) of retirement benefits included in federal adjusted gross income to be excluded to compute Oklahoma taxable income (68 O.S. § 2358 (E)(15)). The age of the recipient does not matter. So long as the retirement benefit meets the statutory definition and is included in federal adjusted gross income, it is allowed as an exclusion to compute Oklahoma taxable income.

Further 68 O.S. § 2358 (E) (15) (c) defines which type of retirement benefits qualify. I have enclosed a copy of the statute for you to review.

This response applies only to the circumstances set out in your request of March 29, 2011. 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.

Please be advised that the issuance of this ruling does not preclude the Oklahoma Tax Commission from conducting an audit or examination under 68 Okla. Stat. §206 of any report or return claiming a credit for the transactions outlined in this letter ruling. The Commission reserves the right to issue any assessment, correction, or adjustment authorized under 68 Okla. Stat. §221.

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

Sincerely,

OKLAHOMA TAX COMMISSION

Michael C. Kaufmann
Tax Policy Analyst