

Income/Franchise:

Oklahoma: New Law Provides Option for Immediate & Full Expensing of Qualified Property

H.B. 3418, signed by gov. 5/26/22. Effective immediately, new law allows for 100% bonus depreciation or full expensing for Oklahoma corporate income tax purposes on eligible “qualified property” or “qualified improvement property” (QIP) under Internal Revenue Code (IRC) section 168, applicable for taxable years beginning after December 31, 2021, whereby electing taxpayers may deduct such amounts as a business expenditure during the taxable year in which the eligible property is placed in service. Under the new law, “qualified property” and “QIP” have the same meaning as in IRC section 168 as of January 1, 2021. Furthermore, “full expensing” or “100% bonus depreciation” is defined as a method to recover costs for certain expenditures in research and experimentation along with depreciable business assets by immediately deducting the full cost of such expenditures in the tax year in which:

URL: <http://www.oklegislature.gov/BillInfo.aspx?Bill=hb3418&Session=2200>

1. The cost is incurred, or
2. The property is placed in service.

Such changes are separate from any federal income tax changes related to amortization of cost recovery beginning on or after January 1, 2023.

The new law also conforms Oklahoma to IRC section 179 by permitting corporate income taxpayers to immediately deduct as an expense the cost of certain depreciable business assets in the tax year in which the property is placed in service. Specifically, for purposes of computing Oklahoma income tax for taxable years beginning after December 31, 2021, taxpayers may elect to treat the cost of any IRC section 179 property as an expense that is not chargeable to a capital account, and any cost so treated is allowed as an Oklahoma corporate income tax deduction for the taxable year in which the IRC section 179 property is placed in service. Please contact us with any questions.

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