



ANNUAL TAX GUIDE

FOR OKLAHOMA LEGISLATORS
2023

OSCPA
Oklahoma Society of CPAs

Welcome Message



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CEO, OSCPA

We are pleased to present this copy of the 2023 edition of our “Tax Guide for Oklahoma Legislators,” prepared especially for you. This guide is intended to assist in preparing 2022 tax returns. This guide does not cover personal, itemized deductions or tax matters related to your other professional, business or investment activities. For advice on other tax or accounting questions, we suggest you contact your Certified Public Accountant.

As you begin recommending and considering proposed legislation, you may find it helpful to seek technical counsel, particularly on legislation relating to tax or accounting matters. The Oklahoma Society of CPAs is pleased to provide—through individual members as well as its various committees—assistance during the evaluation and developmental stages of such legislation. As the need arises, we urge you to contact us at:

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To ensure compliance with requirements imposed by the Internal Revenue Service, please be informed that any U.S. federal tax advice contained in this communication is not intended or written to be used, and cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code.

ABOUT THE OKLAHOMA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

The Oklahoma Society of Certified Public Accountants (OSCPA) is the only statewide professional organization for Oklahoma CPAs. Formed in 1918 with a charter membership of 31, we unite more than 6,000 members in public practice, corporate finance, government and education. We strive to maintain high ethical standards, promote a positive public image and enhance the professional competence of CPAs.

Our legislative efforts function under the direction of OSCPAs Contract Lobbyist, Benny Vanatta, and OSCPAs President and CEO Blaine Peterson, CPA.

Questions regarding our legislative efforts can be directed to:

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Introduction

As employees of the State of Oklahoma, legislators were previously entitled to deduct on their federal income tax returns expenses that were ordinary and necessary in the performance of their duties. The Tax Cuts and Jobs Act of 2017 (TCJA), which was signed into law on Dec. 22, 2017, completely eliminates the deduction for these unreimbursed employee expenses for tax years 2018 through 2025. The deduction is scheduled to return in 2026.



The TCJA is the most extensive tax legislation since the Tax Reform Act of 1986. Most of these changes became effective Jan. 1, 2018, and are scheduled to sunset after Dec. 31, 2025. This guide highlights a few of these changes.

Campaign Contributions and Expenditures

Are campaign receipts and expenditures subject to Internal Revenue Service review?

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Yes. The Internal Revenue Service has ruled that campaign contributions and political gifts used solely for the expenses of an election campaign or similar purpose are not taxable income to the candidates. Any contributions that are used for personal purposes must be included in the candidate's taxable gross income.

Is it permissible to commingle political funds with personal funds?

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If funds are commingled so as to make tracing impractical, the entire fund will be presumed devoted to personal use and deemed taxable income to the candidate.

How do you account for proceeds derived from fundraising dinners or testimonial dinners?

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Accounting and reporting for dinner proceeds are the same as for campaign contributions.

Are contributions of property, such as stocks or bonds, recorded the same as cash?

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The fair market value on the date of the contribution should be treated as the amount of the contribution.

Are campaign expenses deductible for tax purposes?



Campaign expenses paid from a candidate's private resources are considered nondeductible personal expenses regardless of the result of the election. Such expenses would include the cost of attending political conventions, contributions to the party that sponsored the candidacy, expenses of campaign travel, campaign advertising, expenses of successfully defending a contested election, filing fees or the cost of legal fees paid in litigation over redistricting.

What types of expenditures may be paid from campaign contributions?



Expenditures properly payable from campaign contributions include amounts:

- Used for generally recognized campaign expenses regardless of when such expenses were incurred;
- Contributed to the national, state or local committee of the candidate's party; or
- Used to reimburse the political candidate for out-of-pocket campaign expenses paid by themselves during a current campaign, or if they are not currently campaigning, during their last previous campaign.

What is the tax status of unexpended balances of political funds refunded to contributors?



For tax purposes, unexpended balances of political funds, which are repaid to known contributors, are not considered to be either expended or diverted and, therefore, are not taxable income to the candidate.

What reporting is required of a political committee, organization, association or fund formed for the purpose of managing campaign contributions and expenses of a candidate?



Such an entity is considered an association taxable as a corporation and Form 1120-POL must be filed annually. The return is due on or before the 15th day of the fourth month after the end of the taxable year.

What items would be reported and subject to tax on the 1120-POL?



All receipts and expenditures must be reported on the 1120-POL. As discussed in answers to previous questions, campaign receipts are not subject to tax. However, dividends, interest, rents, royalties and capital gains are subject to tax.

What accounting records are required for political funds?



Detailed records should be kept by the political candidate or other custodian to enable the candidate to account accurately for the receipt and disbursement of political funds. Otherwise, receipts may be taxed on the individual's return and campaign expenses would be nondeductible. If political funds are commingled with the personal funds of the political candidate, so as to render tracing or identification impracticable, the political funds will be presumed to have been diverted to personal use at the time so commingled.

What is the tax rule regarding presumption against unrestricted gifts?

The Internal Revenue Service will presume, in the absence of evidence to the contrary, that contributions to a political candidate are political funds, which are not intended for the unrestricted personal use of the political candidate. Each candidate must be able to substantiate this claim.

Oklahoma Income Tax Provisions

Are there any other adjustments to income or deductions that are a consideration on the Oklahoma return only?

Yes. After the federal adjusted gross income is entered on the Oklahoma form, there are numerous adjustments that may have to be made to arrive at Oklahoma taxable income. For details on these adjustments, consult your CPA.

Are there any deductions or credits allowed on the Oklahoma return that are not allowed on the federal return?

Yes. Consult your CPA for details of credits allowed by the state. Contributions to Oklahoma 529 College Savings Plan accounts may be deducted regardless of the taxpayer's adjusted gross income. The adjustment for Political Contributions was repealed and is no longer available.

OSCPA Tax Committee

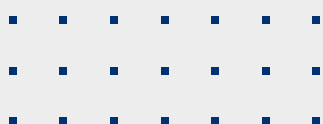
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