

OKLAHOMA TAX COMMISSION

REVENUE IMPACT STATEMENT AND/OR ADMINISTRATIVE IMPACT STATEMENT SECOND REGULAR SESSION, FIFTY-NINTH OKLAHOMA LEGISLATURE

DATE OF IMPACT STATEMENT: March 19, 2024

BILL NUMBER: HB 2950 **STATUS AND DATE OF BILL:** Engrossed 3/13/24

AUTHORS: House: McCall, Lepak & Sims Senate: Daniels

TAX TYPE (S): Income **SUBJECT:** Tax Rate

PROPOSAL: Amendatory

Engrossed HB 2950 proposes to amend 68 O.S. § 2355 relating to the individual income tax rate by imposing a single income tax rate of 4.75% on Oklahoma taxable income over \$13,550 for single and married filing separate income tax filers and \$27,100 for those filing as married filing joint, head of household and qualifying widow effective for tax year 2025. Further reductions would be triggered by tax collections growth of at least \$400 million compared to the immediately preceding fiscal year amount. If the revenue growth condition is met, the rate would be reduced to 4.5% beginning with tax year 2026. The State Board of Equalization will determine at each December meeting if the revenue target has been met to trigger a rate reduction. Rate reductions continue in 0.25% increments until the top rate reaches 3%, then reduces by 0.3% yearly until the individual income tax is eliminated.

EFFECTIVE DATE: January 1, 2025

REVENUE IMPACT: The effects of this proposal were estimated using the Oklahoma Individual Income Tax Microsimulation Model. Withholding and estimated tax payments will change because of the enactment of this measure.

FY 25: Expected decrease in income tax collections of \$321.80 million.

FY 26: Expected decrease in income tax collections of \$809.9 million.

3/27/24

DATE



MARIE SCHUBLE, DIVISION DIRECTOR

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3/20/24

DATE

Huan Gong

HUAN GONG, ECONOMIST

3/27/2024

DATE

Joseph P. Gappa

JOSEPH P. GAPPA, FOR THE COMMISSION

The revenue impact provided herein is an estimate of the potential impact on the collection or apportionment of tax revenues affected by the proposed legislation. It is not intended to be an estimate of the overall fiscal impact on the state budget if the proposed legislation is enacted.

ATTACHMENT TO REVENUE IMPACT - HB 2950 [Engrossed] Prepared 3/19/24

Under current law, income tax is levied on taxable income using income tax brackets which can be found on the last page of this impact.

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ANTICIPATED IMPACT:

The effects of this proposal were estimated using the Oklahoma Individual Income Tax Microsimulation Model. The chart below shows the estimated impact:

FY EFFECT INCOME TAX FLAT RATE OF 4.75% ON INCOME OVER \$13,550 / \$27,100			
Fiscal Impact			
Tax year 2025	-\$804,380,000		
Tax year 2026	-\$818,101,000		
Tax year 2027	-\$832,918,000		
FY CONVERSION	FY25	FY26	FY27
Tax year 2025	-\$321,752,000	-\$482,628,000	
Tax year 2026		-\$327,240,000	-\$490,861,000
Tax year 2027			-\$333,167,000
FY TOTAL	-\$321,752,000	-\$809,868,000	-\$824,028,000
Source: Oklahoma Individual Income Tax Micro-Simulation Model.			

Withholding and estimated tax payments will change if this proposal is enacted. The expected revenue impact would be a decrease in individual income tax collections of \$321.8 million for FY25 and a decrease of \$809.9 million in individual income tax collections for FY26.

**ATTACHMENT TO REVENUE IMPACT - HB 2950 [Engrossed] Prepared 3/19/24
(continued)**

INDIVIDUAL INCOME TAX BRACKETS

Current Law - Married Filing Joint; Head of Household and Surviving Spouse Brackets								
If Taxable Income Is:								
0	-	\$2,000	Pay	\$0	plus	0.25%	over	\$0
\$2,001	-	\$5,000	Pay	\$5.00	plus	0.75%	over	\$2,000
\$5,001	-	\$7,500	Pay	\$27.50	plus	1.75%	over	\$5,000
\$7,501	-	\$9,800	Pay	\$71.25	plus	2.75%	over	\$7,500
\$9,801	-	\$14,400	Pay	\$134.50	plus	3.75%	over	\$9,800
\$14,401	and above		Pay	\$307.00	plus	4.75%	over	\$14,400

Current Law - Single and Married Filing Separate Brackets								
If Taxable Income Is:								
\$0	-	\$1,000	Pay	\$0.00	plus	0.25%	over	\$0
\$1,001	-	\$2,500	Pay	\$2.50	plus	0.75%	over	\$1,000
\$2,501	-	\$3,750	Pay	\$13.75	plus	1.75%	over	\$2,500
\$3,751	-	\$4,900	Pay	\$35.63	plus	2.75%	over	\$3,750
\$4,901	-	\$7,200	Pay	\$67.25	plus	3.75%	over	\$4,900
\$7,201	and above		Pay	\$153.50	plus	4.75%	over	\$7,200