

OKLAHOMA TAX COMMISSION

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

DATE OF IMPACT STATEMENT: January 12, 2024

BILL NUMBER: SB 1250 **STATUS AND DATE OF BILL:** Introduced 12/7/23

AUTHORS: House: n/a Senate: Paxton

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

PROPOSAL: Amendatory

SB 1250 proposes to amend the provisions of 68 O.S. § 2355, by decreasing the individual income tax rate by 0.125% for all income brackets beginning with tax year 2024.

EFFECTIVE DATE: November 1, 2024

REVENUE IMPACT:

The effects of this proposal were estimated using the Oklahoma Individual Income Tax Microsimulation Model:

FY 25: \$172.6 million decrease in income tax collections.

FY 26: \$129.7 million decrease in income tax collections.

1/13/24

DATE

Marie Schuble

MARIE SCHUBLE, DIVISION DIRECTOR

mk

1/12/24

DATE

Huan Gong

HUAN GONG, ECONOMIST

1/15/2024

DATE

Joseph P. Gappa

JOSEPH 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 - SB 1250 [Introduced] Prepared 1/12/24

SB 1250 proposes to amend the provisions of 68 O.S. § 2355, by decreasing the individual income tax rate by 0.125% for all income brackets beginning with tax year 2024.

The current and proposed tax brackets can be found on the final page of this revenue impact statement.

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

SB 1250 - FY EFFECT				
<u>0.125% RATE REDUCTION ALL INCOME BRACKETS</u>				
Revenue Impact				
Tax year 2024	-\$121,689,000			
Tax year 2025	-\$127,345,000			
Tax year 2026	-\$133,237,000			
FY		FY24	FY25	FY26
Tax year 2024	-\$121,689,000	\$0	-\$121,689,000	
Tax year 2025	-\$127,345,000		-\$50,938,000	-\$76,407,000
Tax year 2026	-\$133,237,000			-\$53,295,000
	FY TOTAL	\$0	-\$172,627,000	-\$129,702,000
Source: Oklahoma Individual Income Tax Micro-Simulation Model.				

Tax year 2024 withholding and estimated tax payments would change as a result of the enactment of this measure, all of which would occur in FY25¹, and tax year 2024 final pays would also occur in FY25 (April 2025). FY25 collections would likewise be impacted by lower tax year 2025 withholding and estimated tax payments. It is expected the revenue impact for FY25 would be a decrease of \$172.6 million in income tax collections and for FY26 a decrease of \$129.7 million in income tax collections.

¹With an effective date in FY25 (November 1, 2024), no changes in withholding or estimated tax payments are expected in FY24.

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

Proposed Law - Married Filing Joint; Head of Household and Surviving Spouse Brackets								
If Taxable Income Is:								
0	-	\$2,000	Pay	\$0.00	plus	0.125%	over	\$0
\$2,001	-	\$5,000	Pay	\$2.50	plus	0.625%	over	\$2,000
\$5,001	-	\$7,500	Pay	\$21.25	plus	1.625%	over	\$5,000
\$7,501	-	\$9,800	Pay	\$61.88	plus	2.625%	over	\$7,500
\$9,801	-	\$14,400	Pay	\$122.25	plus	3.625%	over	\$9,800
\$14,401	and above		Pay	\$289.00	plus	4.625%	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

Proposed Law - Single and Married Filing Separate Brackets								
If Taxable Income Is:								
\$0	-	\$1,000	Pay	\$0.00	plus	0.125%	over	\$0
\$1,001	-	\$2,500	Pay	\$1.25	plus	0.625%	over	\$1,000
\$2,501	-	\$3,750	Pay	\$10.63	plus	1.625%	over	\$2,500
\$3,751	-	\$4,900	Pay	\$30.94	plus	2.625%	over	\$3,750
\$4,901	-	\$7,200	Pay	\$61.13	plus	3.625%	over	\$4,900
\$7,201	and above		Pay	\$144.50	plus	4.625%	over	\$7,200