

OKLAHOMA TAX COMMISSION

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

DATE OF IMPACT STATEMENT: January 15, 2024

BILL NUMBER: SB 1263 **STATUS AND DATE OF BILL:** Introduced 12/8/23

AUTHORS: House: n/a Senate: Daniels

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

PROPOSAL: Amendatory

SB 1263 proposes to amend the provisions of 68 O.S. § 2355, by decreasing the individual income tax rate by 0.25% for all income brackets beginning with tax year 2024 and subsequent tax years.


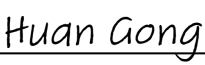
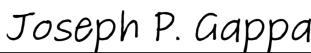
EFFECTIVE DATE: July 1, 2024 - Emergency

REVENUE IMPACT:

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

FY 25: \$345.0 million decrease in income tax collections.

FY 26: \$264.5 million decrease in income tax collections.

<u>1/15/24</u>		
DATE	MARIE SCHUBLE, DIVISION DIRECTOR	<u>mk</u>
<u>1/15/24</u>		
DATE	HUAN GONG, ECONOMIST	
<u>1/15/2024</u>		
DATE	JOE 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 1263 [Introduced] Prepared 1/15/24

SB 1263 proposes to amend the provisions of 68 O.S. § 2355, by decreasing the individual income tax rate by 0.25% for all income brackets beginning with tax year 2024 and subsequent tax years.

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.

SB 1263 - FY EFFECT					
<u>0.25% RATE REDUCTION ALL INCOME BRACKETS</u>					
Revenue					
Tax year 2024	-	\$243,234,000			
Tax year 2025	-	\$254,350,000			
Tax year 2026	-	\$279,697,000			
FY		FY24	FY25	FY26	
Tax year 2024	-	\$243,234,000	\$0	-\$243,234,000	
Tax year 2025	-	\$254,350,000		-\$101,740,000	-\$152,610,000
Tax year 2026	-	\$279,697,000			-\$111,879,000
	FY TOTAL		\$0	-\$344,974,000	-\$264,489,000
Source: Oklahoma Individual Income Tax Micro-Simulation Model.					

For tax year 2024 withholding and estimated tax payments would change after the enactment of this measure, 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 withholding and estimated tax payments in tax year 2025. It is expected the revenue impact for FY25 would be a decrease of \$345.0 million in income tax collections and for FY26 a decrease of \$264.5 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.

**ATTACHMENT TO REVENUE IMPACT - SB 1263 [Introduced] Prepared 1/15/24
(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

Proposed Law - Married Filing Joint; Head of Household and Surviving Spouse Brackets								
If Taxable Income Is:								
0	-	\$2,000	Pay	\$0.00	plus	0.00%	over	\$0
\$2,001	-	\$5,000	Pay	\$0.00	plus	0.50%	over	\$2,000
\$5,001	-	\$7,500	Pay	\$15.00	plus	1.50%	over	\$5,000
\$7,501	-	\$9,800	Pay	\$52.50	plus	2.50%	over	\$7,500
\$9,801	-	\$14,400	Pay	\$110.00	plus	3.50%	over	\$9,800
\$14,401	and above		Pay	\$271.00	plus	4.50%	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	0.00%	over	\$0
\$1,001	-	\$2,500	Pay	\$0.00	plus	0.50%	over	\$1,000
\$2,501	-	\$3,750	Pay	\$7.50	plus	1.50%	over	\$2,500
\$3,751	-	\$4,900	Pay	\$26.25	plus	2.50%	over	\$3,750
\$4,901	-	\$7,200	Pay	\$55.00	plus	3.50%	over	\$4,900
\$7,201	and above		Pay	\$135.50	plus	4.50%	over	\$7,200