

1 STATE OF OKLAHOMA

2 1st Session of the 56th Legislature (2017)

3 SENATE BILL 13

By: Sharp

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5  
6 AS INTRODUCED

7 An Act relating to income tax; declaring certain  
8 actions null and void; amending 68 O.S. 2011, Section  
9 2355, as last amended by Section 2, Chapter 195,  
10 O.S.L. 2014 (68 O.S. Supp. 2016, Section 2355);  
11 updating and conforming references; defining term;  
12 imposing specified duties on State Board of  
13 Equalization related to imposition of certain top  
14 marginal income tax rate for specified time period;  
15 prescribing method for specified computation and  
16 mandating certain action related thereto; repealing  
17 Section 5, Chapter 195, O.S.L. 2014 (68 O.S. Supp.  
18 2016, Section 2355.1G), which relates to top marginal  
19 income tax rate change; providing for codification;  
20 providing for noncodification; and providing an  
21 effective date.

22 BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

23 SECTION 1. NEW LAW A new section of law not to be  
24 codified in the Oklahoma Statutes reads as follows:

Actions taken by the State Board of Equalization with respect to  
the provisions of Section 2355.1G of Title 68 of the Oklahoma  
Statutes are hereby declared null and void.

1 SECTION 2. AMENDATORY 68 O.S. 2011, Section 2355, as  
2 last amended by Section 2, Chapter 195, O.S.L. 2014 (68 O.S. Supp.  
3 2016, Section 2355), is amended to read as follows:

4 Section 2355. A. Individuals. For all taxable years beginning  
5 after December 31, 1998, and before January 1, 2006, a tax is hereby  
6 imposed upon the Oklahoma taxable income of every resident or  
7 nonresident individual, which tax shall be computed at the option of  
8 the taxpayer under one of the two following methods:

9 1. METHOD 1.

10 a. Single individuals and married individuals filing  
11 separately not deducting federal income tax:

- 12 (1) 1/2% tax on first \$1,000.00 or part thereof,
- 13 (2) 1% tax on next \$1,500.00 or part thereof,
- 14 (3) 2% tax on next \$1,250.00 or part thereof,
- 15 (4) 3% tax on next \$1,150.00 or part thereof,
- 16 (5) 4% tax on next \$1,300.00 or part thereof,
- 17 (6) 5% tax on next \$1,500.00 or part thereof,
- 18 (7) 6% tax on next \$2,300.00 or part thereof, and
- 19 (8) (a) for taxable years beginning after December  
20 31, 1998, and before January 1, 2002, 6.75%  
21 tax on the remainder,  
22 (b) for taxable years beginning on or after  
23 January 1, 2002, and before January 1, 2004,  
24 7% tax on the remainder, and

1 (c) for taxable years beginning on or after  
2 January 1, 2004, 6.65% tax on the remainder.

3 b. Married individuals filing jointly and surviving  
4 spouse to the extent and in the manner that a  
5 surviving spouse is permitted to file a joint return  
6 under the provisions of the Internal Revenue Code and  
7 heads of households as defined in the Internal Revenue  
8 Code not deducting federal income tax:

9 (1) 1/2% tax on first \$2,000.00 or part thereof,

10 (2) 1% tax on next \$3,000.00 or part thereof,

11 (3) 2% tax on next \$2,500.00 or part thereof,

12 (4) 3% tax on next \$2,300.00 or part thereof,

13 (5) 4% tax on next \$2,400.00 or part thereof,

14 (6) 5% tax on next \$2,800.00 or part thereof,

15 (7) 6% tax on next \$6,000.00 or part thereof, and

16 (8) (a) for taxable years beginning after December

17 31, 1998, and before January 1, 2002, 6.75%

18 tax on the remainder,

19 (b) for taxable years beginning on or after

20 January 1, 2002, and before January 1, 2004,

21 7% tax on the remainder, and

22 (c) for taxable years beginning on or after

23 January 1, 2004, 6.65% tax on the remainder.

24 2. METHOD 2.

1 a. Single individuals and married individuals filing  
2 separately deducting federal income tax:

3 (1) 1/2% tax on first \$1,000.00 or part thereof,

4 (2) 1% tax on next \$1,500.00 or part thereof,

5 (3) 2% tax on next \$1,250.00 or part thereof,

6 (4) 3% tax on next \$1,150.00 or part thereof,

7 (5) 4% tax on next \$1,200.00 or part thereof,

8 (6) 5% tax on next \$1,400.00 or part thereof,

9 (7) 6% tax on next \$1,500.00 or part thereof,

10 (8) 7% tax on next \$1,500.00 or part thereof,

11 (9) 8% tax on next \$2,000.00 or part thereof,

12 (10) 9% tax on next \$3,500.00 or part thereof, and

13 (11) 10% tax on the remainder.

14 b. Married individuals filing jointly and surviving

15 spouse to the extent and in the manner that a

16 surviving spouse is permitted to file a joint return

17 under the provisions of the Internal Revenue Code and

18 heads of households as defined in the Internal Revenue

19 Code deducting federal income tax:

20 (1) 1/2% tax on the first \$2,000.00 or part thereof,

21 (2) 1% tax on the next \$3,000.00 or part thereof,

22 (3) 2% tax on the next \$2,500.00 or part thereof,

23 (4) 3% tax on the next \$1,400.00 or part thereof,

24 (5) 4% tax on the next \$1,500.00 or part thereof,

- 1 (6) 5% tax on the next \$1,600.00 or part thereof,
- 2 (7) 6% tax on the next \$1,250.00 or part thereof,
- 3 (8) 7% tax on the next \$1,750.00 or part thereof,
- 4 (9) 8% tax on the next \$3,000.00 or part thereof,
- 5 (10) 9% tax on the next \$6,000.00 or part thereof, and
- 6 (11) 10% tax on the remainder.

7 B. Individuals. For all taxable years beginning on or after  
8 January 1, 2008, and ending any tax year which begins after December  
9 31, 2015, ~~for which the determination required pursuant to Sections~~  
10 ~~4 and 5 of this act is made by the State Board of Equalization,~~ a  
11 tax is hereby imposed upon the Oklahoma taxable income of every  
12 resident or nonresident individual, which tax shall be computed as  
13 follows:

14 1. Single individuals and married individuals filing  
15 separately:

- 16 (a) 1/2% tax on first \$1,000.00 or part thereof,
- 17 (b) 1% tax on next \$1,500.00 or part thereof,
- 18 (c) 2% tax on next \$1,250.00 or part thereof,
- 19 (d) 3% tax on next \$1,150.00 or part thereof,
- 20 (e) 4% tax on next \$2,300.00 or part thereof,
- 21 (f) 5% tax on next \$1,500.00 or part thereof,
- 22 (g) 5.50% tax on the remainder for the 2008 tax year and  
23 any subsequent tax year unless the rate prescribed by  
24 subparagraph (h) of this paragraph is in effect, and

1 (h) 5.25% tax on the remainder for the 2009 and subsequent  
2 tax years. The decrease in the top marginal  
3 individual income tax rate otherwise authorized by  
4 this subparagraph shall be contingent upon the  
5 determination required to be made by the State Board  
6 of Equalization pursuant to Section 2355.1A of this  
7 title.

8 2. Married individuals filing jointly and surviving spouse to  
9 the extent and in the manner that a surviving spouse is permitted to  
10 file a joint return under the provisions of the Internal Revenue  
11 Code and heads of households as defined in the Internal Revenue  
12 Code:

13 (a) 1/2% tax on first \$2,000.00 or part thereof,

14 (b) 1% tax on next \$3,000.00 or part thereof,

15 (c) 2% tax on next \$2,500.00 or part thereof,

16 (d) 3% tax on next \$2,300.00 or part thereof,

17 (e) 4% tax on next \$2,400.00 or part thereof,

18 (f) 5% tax on next \$2,800.00 or part thereof,

19 (g) 5.50% tax on the remainder for the 2008 tax year and  
20 any subsequent tax year unless the rate prescribed by  
21 subparagraph (h) of this paragraph is in effect, and

22 (h) 5.25% tax on the remainder for the 2009 and subsequent  
23 tax years. The decrease in the top marginal  
24 individual income tax rate otherwise authorized by

1           this subparagraph shall be contingent upon the  
2           determination required to be made by the State Board  
3           of Equalization pursuant to Section 2355.1A of this  
4           title.

5           C. Individuals. For all taxable years beginning on or after  
6 January 1, 2016, and for which the determination required pursuant  
7 to ~~Sections 4 and 5~~ Section 3 of this act is made by the State Board  
8 of Equalization, a tax is hereby imposed upon the Oklahoma taxable  
9 income of every resident or nonresident individual, which tax shall  
10 be computed as follows:

11           1. Single individuals and married individuals filing  
12 separately:

13           (a) 1/2% tax on first \$1,000.00 or part thereof,

14           (b) 1% tax on next \$1,500.00 or part thereof,

15           (c) 2% tax on next \$1,250.00 or part thereof,

16           (d) 3% tax on next \$1,150.00 or part thereof,

17           (e) 4% tax on next \$2,300.00 or part thereof,

18           (f) 5% tax on the remainder ~~if the State Board of~~

19 ~~Equalization makes a determination pursuant to Section~~  
20 ~~4 of this act~~ or four and eighty-five hundredths

21 (4.85%) tax on the remainder if the State Board of

22 Equalization makes a determination pursuant to Section  
23 ~~5~~ 3 of this act.

1           2. Married individuals filing jointly and surviving spouse to  
2 the extent and in the manner that a surviving spouse is permitted to  
3 file a joint return under the provisions of the Internal Revenue  
4 Code and heads of households as defined in the Internal Revenue  
5 Code:

- 6           (a) 1/2% tax on first \$2,000.00 or part thereof,
- 7           (b) 1% tax on next \$3,000.00 or part thereof,
- 8           (c) 2% tax on next \$2,500.00 or part thereof,
- 9           (d) 3% tax on next \$2,300.00 or part thereof,
- 10           (e) 4% tax on next \$2,400.00 or part thereof,
- 11           (f) 5% tax on the remainder ~~if the State Board of~~  
12           ~~Equalization makes a determination pursuant to Section~~  
13           ~~4 of this act~~ or four and eighty-five hundredths  
14           percent (4.85%) tax on the remainder if the State  
15           Board of Equalization makes a determination pursuant  
16           to Section ~~5~~ 3 of this act.

17           No deduction for federal income taxes paid shall be allowed to  
18 any taxpayer to arrive at taxable income.

19           D. Nonresident aliens. In lieu of the rates set forth in  
20 subsection A above, there shall be imposed on nonresident aliens, as  
21 defined in the Internal Revenue Code, a tax of eight percent (8%)  
22 instead of thirty percent (30%) as used in the Internal Revenue  
23 Code, with respect to the Oklahoma taxable income of such  
24

1 nonresident aliens as determined under the provision of the Oklahoma  
2 Income Tax Act.

3       Every payer of amounts covered by this subsection shall deduct  
4 and withhold from such amounts paid each payee an amount equal to  
5 eight percent (8%) thereof. Every payer required to deduct and  
6 withhold taxes under this subsection shall for each quarterly period  
7 on or before the last day of the month following the close of each  
8 such quarterly period, pay over the amount so withheld as taxes to  
9 the Tax Commission, and shall file a return with each such payment.  
10 Such return shall be in such form as the Tax Commission shall  
11 prescribe. Every payer required under this subsection to deduct and  
12 withhold a tax from a payee shall, as to the total amounts paid to  
13 each payee during the calendar year, furnish to such payee, on or  
14 before January 31<sup>7</sup> of the succeeding year, a written statement  
15 showing the name of the payer, the name of the payee and the payee's  
16 social security account number, if any, the total amount paid  
17 subject to taxation, and the total amount deducted and withheld as  
18 tax and such other information as the Tax Commission may require.  
19 Any payer who fails to withhold or pay to the Tax Commission any  
20 sums herein required to be withheld or paid shall be personally and  
21 individually liable therefor to the State of Oklahoma.

22       E. Corporations. For all taxable years beginning after  
23 December 31, 1989, a tax is hereby imposed upon the Oklahoma taxable  
24 income of every corporation doing business within this state or

1 deriving income from sources within this state in an amount equal to  
2 six percent (6%) thereof.

3 There shall be no additional Oklahoma income tax imposed on  
4 accumulated taxable income or on undistributed personal holding  
5 company income as those terms are defined in the Internal Revenue  
6 Code.

7 F. Certain foreign corporations. In lieu of the tax imposed in  
8 the first paragraph of subsection D of this section, for all taxable  
9 years beginning after December 31, 1989, there shall be imposed on  
10 foreign corporations, as defined in the Internal Revenue Code, a tax  
11 of six percent (6%) instead of thirty percent (30%) as used in the  
12 Internal Revenue Code, where such income is received from sources  
13 within Oklahoma, in accordance with the provisions of the Internal  
14 Revenue Code and the Oklahoma Income Tax Act.

15 Every payer of amounts covered by this subsection shall deduct  
16 and withhold from such amounts paid each payee an amount equal to  
17 six percent (6%) thereof. Every payer required to deduct and  
18 withhold taxes under this subsection shall for each quarterly period  
19 on or before the last day of the month following the close of each  
20 such quarterly period, pay over the amount so withheld as taxes to  
21 the Tax Commission, and shall file a return with each such payment.  
22 Such return shall be in such form as the Tax Commission shall  
23 prescribe. Every payer required under this subsection to deduct and  
24 withhold a tax from a payee shall, as to the total amounts paid to

1 each payee during the calendar year, furnish to such payee, on or  
2 before January 31~~7~~ of the succeeding year, a written statement  
3 showing the name of the payer, the name of the payee and the payee's  
4 social security account number, if any, the total amounts paid  
5 subject to taxation, the total amount deducted and withheld as tax  
6 and such other information as the Tax Commission may require. Any  
7 payer who fails to withhold or pay to the Tax Commission any sums  
8 herein required to be withheld or paid shall be personally and  
9 individually liable therefor to the State of Oklahoma.

10 G. Fiduciaries. A tax is hereby imposed upon the Oklahoma  
11 taxable income of every trust and estate at the same rates as are  
12 provided in subsection B or C of this section for single  
13 individuals. Fiduciaries are not allowed a deduction for any  
14 federal income tax paid.

15 H. Tax rate tables. For all taxable years beginning after  
16 December 31, 1991, in lieu of the tax imposed by subsection A, B or  
17 C of this section, as applicable there is hereby imposed for each  
18 taxable year on the taxable income of every individual, whose  
19 taxable income for such taxable year does not exceed the ceiling  
20 amount, a tax determined under tables, applicable to such taxable  
21 year which shall be prescribed by the Tax Commission and which shall  
22 be in such form as it determines appropriate. In the table so  
23 prescribed, the amounts of the tax shall be computed on the basis of  
24 the rates prescribed by subsection A, B or C of this section. For

1 purposes of this subsection, the term "ceiling amount" means, with  
2 respect to any taxpayer, the amount determined by the Tax Commission  
3 for the tax rate category in which such taxpayer falls.

4 SECTION 3. NEW LAW A new section of law to be codified  
5 in the Oklahoma Statutes as Section 2355.1H of Title 68, unless  
6 there is created a duplication in numbering, reads as follows:

7 A. As used in this section, "rate reduction" shall mean the  
8 implementation of the four and eighty-five hundredths percent  
9 (4.85%) top marginal rate of individual income tax otherwise  
10 authorized pursuant to the provisions of subparagraph (f) of  
11 paragraphs 1 and 2 of subsection C of Section 2355 of Title 68 of  
12 the Oklahoma Statutes. The provisions of this section shall be  
13 applicable with respect to the implementation of the rate reduction,  
14 which shall be contingent upon a determination by the State Board of  
15 Equalization made by a comparison of the revenue computations  
16 described by this section which shall be conducted until the rate  
17 reduction is effective.

18 B. In addition to any other duties prescribed by law, at the  
19 meeting required by paragraph 1 of Section 23 of Article X of the  
20 Oklahoma Constitution to be held in December of 2017, and for any  
21 subsequent December meeting of the State Board of Equalization if  
22 the rate reduction has not become effective, the State Board of  
23 Equalization shall determine:

24

1           1. The amount of estimated revenue growth in the General  
2 Revenue Fund of the State Treasury for the fiscal year beginning on  
3 the next ensuing July 1; and

4           2. The amount by which the income tax revenue for the tax year  
5 which will begin on the second January 1 following such December  
6 meeting is estimated to be reduced by a fifteen hundredths percent  
7 (0.15%) decrease in the top marginal income tax rate, plus an amount  
8 equal to Five Hundred Million Dollars (\$500,000,000.00) in order for  
9 the rate reduction to be effective.

10           If the amount determined pursuant to the provisions of paragraph  
11 1 of this subsection is equal to or greater than the amount  
12 determined pursuant to the provisions of paragraph 2 of this  
13 subsection, the Board shall make a preliminary finding that the  
14 Board anticipates that a finding will be made at the February  
15 meeting immediately subsequent to the December meeting that the  
16 revenue computations required by this section will authorize the  
17 rate reduction beginning on the second January 1 following the  
18 December meeting.

19           If the amount determined pursuant to the provisions of paragraph  
20 1 of this subsection is less than the amount determined pursuant to  
21 the provisions of paragraph 2 of this subsection, the Board shall  
22 make a preliminary finding that the Board anticipates that a finding  
23 will be made at the February meeting immediately subsequent to the  
24 December meeting that the revenue computations required by this

1 section will not authorize the implementation of the rate reduction  
2 beginning on the second January 1 following the December meeting.

3 C. In addition to any other duties prescribed by law, at the  
4 meeting required by paragraph 3 of Section 23 of Article X of the  
5 Oklahoma Constitution to be held in February of 2018, and for any  
6 subsequent February meeting of the State Board of Equalization if  
7 the rate reduction has not become effective, the State Board of  
8 Equalization shall determine:

9 1. The amount of estimated revenue growth in the General  
10 Revenue Fund of the State Treasury for the fiscal year beginning on  
11 the next ensuing July 1; and

12 2. The amount by which the income tax revenue for the tax year  
13 which will begin on the January 1 immediately following the February  
14 meeting is estimated to be reduced by a fifteen hundredths percent  
15 (.15%) decrease in the top marginal income tax rate, plus an amount  
16 equal to Five Hundred Million Dollars (\$500,000,000.00) in order for  
17 the rate reduction to be effective.

18 If the amount determined pursuant to the provisions of paragraph  
19 1 of this subsection is equal to or greater than the amount  
20 determined pursuant to the provisions of paragraph 2 of this  
21 subsection, the Board shall make a finding that the revenue  
22 computations required by this section will authorize the  
23 implementation of the rate reduction beginning on the January 1  
24 immediately following the February meeting.

1 If the amount determined pursuant to the provisions of paragraph  
2 1 of this subsection is less than the amount determined pursuant to  
3 the provisions of paragraph 2 of this subsection, the Board shall  
4 make a finding that the revenue computations required by this  
5 section do not authorize the implementation of the rate reduction  
6 beginning with the January 1 immediately following the February  
7 meeting.

8 D. If the Board makes a finding that the revenue computations  
9 required by this section do not authorize the implementation of the  
10 rate reduction beginning with calendar year 2019 pursuant to the  
11 provisions of subsection C of this section, the procedures  
12 prescribed by subsection A, subsection B and subsection C of this  
13 section shall be repeated by the State Board of Equalization for  
14 each successive two-year comparison. Once the rate reduction has  
15 been implemented, such income tax rate shall be in effect for all  
16 subsequent tax years.

17 SECTION 4. REPEALER Section 5, Chapter 195, O.S.L. 2014  
18 (68 O.S. Supp. 2016, Section 2355.1G), is hereby repealed.

19 SECTION 5. This act shall become effective November 1, 2017.  
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