

BILL SUMMARY
1st Session of the 59th Legislature

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| Bill No.: | HB1645 |
| Version: | Introduced |
| Request Number: | 5672 |
| Author: | Maynard |
| Date: | 2/16/2023 |
| Impact: | OTC Analysis: |
| | FY23: \$0 |
| | FY24: Unknown decrease in revenues |

Research Analysis

HB1645 eliminates the throwback rule used to determine the sales factor for corporate income tax (CIT) apportionment. The throwback rule provides that sales of tangible personal property shipped to a destination state where the seller has no economic nexus will count towards the Oklahoma sales factor for the purpose of determining CIT liability.

Prepared By: Quyen Do

Fiscal Analysis

As introduced, HB1645 proposes to eliminate the "throwback rule". With the elimination of this rule, those subject to Oklahoma corporate income tax would no longer be required to include in their Oklahoma sales factor, income from sales that fall under the rule. This change constitutes a potential decrease in state revenues, but because corporate taxpayer apportionment data is unavailable, the impact is unknown.

As provided by the Oklahoma Tax Commission:

If the throwback rule is eliminated, taxpayers subject to Oklahoma corporate income tax will no longer be required to include the income from these sales in their Oklahoma sales factor.

Corporate taxpayer apportionment data is unavailable, so the revenue impact is unknown. With this measure being effective November 1, 2023, a decrease in Oklahoma corporate income tax collections is expected in FY24 due to a decrease in estimated tax payments and final payments when the 2023 tax returns are filed in 2024.

Prepared By: Zachary Penrod, House Fiscal Staff

Other Considerations

None.