

OKLAHOMA TAX COMMISSION

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

DATE OF IMPACT STATEMENT: January 9, 2024

BILL NUMBER: SB 1298 **STATUS AND DATE OF BILL:** Introduced 12/12/2023

AUTHORS: House: n/a Senate: Rader

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

PROPOSAL: Amendatory

SB 1298 proposes to amend 68 O.S. § 2355 relating to the individual income tax rate, as well as 68 O.S. § 2358 relating to the Oklahoma standard deduction and personal exemptions effective for 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 24: None

FY 25: Decrease in income tax collections of \$371.9 million

FY 26: Decrease in income tax collections of \$278.3 million

1/9/24

DATE

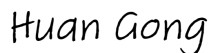


MARIE SCHUBLE, DIVISION DIRECTOR

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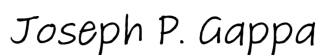
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HUAN GONG, ECONOMIST

1/30/2024

DATE



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 1298 [Introduced] Prepared: January 9, 2024

SB 1298 proposes to amend 68 O.S. § 2355 relating to the individual income tax rate, as well as 68 O.S. § 2358 relating to the Oklahoma standard deduction and personal exemptions effective for tax year 2024 and subsequent tax years.

CURRENT LAW & PROPOSED AMENDMENTS:

Tax Rate. Under current law, income tax is levied on taxable income using income tax brackets that can be found on the last page of this analysis. This measure would replace the graduated income tax rate structure with a single rate of 4.5% of Oklahoma taxable income effective for tax year 2024 and subsequent years.

Personal Exemptions. The personal exemption of \$1,000, the additional personal exemption for taxpayers 65 years of age or older in the amount of \$1,000, and the additional personal exemption for blind taxpayers in the amount of \$1,000, are eliminated under this proposal.

Standard Deduction. Additionally, this measure would amend the amount of standard deduction¹ that is allowed to compute Oklahoma taxable income. The chart below shows the current and proposed standard deduction amounts by income tax filing status:

Standard Deduction Amount		
Filing Status	Current	Proposed
Married Filing Joint & Surviving Spouse	\$12,700	\$24,900
Single & Married Filing Separate	\$6,350	\$13,550
Head of Household	\$9,350	\$19,225

¹ Individual taxpayers may either itemize their deductions or claim an Oklahoma standard deduction to compute Oklahoma taxable income. If using itemized deductions for federal income tax purposes, the Oklahoma itemized deduction amount is limited as follows: Beginning with tax year 2016, state and local income taxes included in itemized deductions are added back to calculate Oklahoma taxable income (by subtracting them from itemized deductions). Beginning with tax year 2018 itemized deductions may not exceed \$17,000, not including charitable contributions or medical expenses.

ANTICIPATED IMPACT:

The effects of this proposal were estimated using the Oklahoma Individual Income Tax Microsimulation Model. The chart below shows the estimated impact by tax year and fiscal year.²

SB 1298 - 4.5% FLAT RATE / INCREASE OK STANDARD DEDUCTION / ELIMINATE PERSONAL EXEMPTIONS				
Fiscal Impact				
Tax year 2024	-\$262,472,000			
Tax year 2025	-\$273,498,000			
Tax year 2026	-\$279,697,000			
FY CONVERSION	FY24	FY25	FY26	
Tax year 2024	-\$262,472,000	\$0	-\$262,472,000	
Tax year 2025	-\$273,498,000		-\$109,399,000	-\$164,099,000
Tax year 2026	-\$279,697,000			-\$114,156,000
	FY TOTAL	\$0	-\$371,871,000	-\$278,255,000

Source: Oklahoma Individual Income Tax Micro-Simulation Model.

Withholding and estimated tax payments would change as a result of the enactment of this measure. No impact to revenue is expected in FY24 due to the July 1, 2024, effective date of this measure. For FY25 a decrease of \$371.9 million is expected and for FY26 the projected decrease in individual income tax collections is \$278.3 million.

CURRENT INDIVIDUAL INCOME TAX BRACKETS:

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

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

² With a July 1, 2024, effective date, all of the tax year 2024 impact will occur in FY25. Also, part of the tax year 2025 impact will occur in in FY25.