

1 **HOUSE OF REPRESENTATIVES - FLOOR VERSION**

2 STATE OF OKLAHOMA

3 1st Session of the 58th Legislature (2021)

4 COMMITTEE SUBSTITUTE
5 FOR
6 HOUSE BILL NO. 2962

By: McCall, Wallace, Hilbert
and **Russ** of the House

7 and

8 Treat, Thompson and Hall of
9 the Senate

10
11 COMMITTEE SUBSTITUTE

12 An Act relating to revenue and taxation; amending 68
13 O.S. 2011, Section 2355, as last amended by Section
14 2, Chapter 195, O.S.L. 2014 (68 O.S. Supp. 2020,
15 Section 2355), which relates to individual income
16 tax; modifying tax rates; amending 68 O.S. 2011,
17 Section 2357.43, as amended by Section 1, Chapter
18 341, O.S.L. 2016 (68 O.S. Supp. 2020, Section
19 2357.43), which relates to the earned income tax
20 credit; modifying provisions related to
21 refundability; providing method for computation of
22 tax credit using designated tax year; and providing
23 an effective date.

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

SECTION 1. AMENDATORY 68 O.S. 2011, Section 2355, as
last amended by Section 2, Chapter 195, O.S.L. 2014 (68 O.S. Supp.
2020, Section 2355), is amended to read as follows:

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

6 1. METHOD 1.

7 a. Single individuals and married individuals filing
8 separately not deducting federal income tax:

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

10 (2) 1% tax on next \$1,500.00 or part thereof,

11 (3) 2% tax on next \$1,250.00 or part thereof,

12 (4) 3% tax on next \$1,150.00 or part thereof,

13 (5) 4% tax on next \$1,300.00 or part thereof,

14 (6) 5% tax on next \$1,500.00 or part thereof,

15 (7) 6% tax on next \$2,300.00 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

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

7 (1) 1/2% tax on first \$2,000.00 or part thereof,

8 (2) 1% tax on next \$3,000.00 or part thereof,

9 (3) 2% tax on next \$2,500.00 or part thereof,

10 (4) 3% tax on next \$2,300.00 or part thereof,

11 (5) 4% tax on next \$2,400.00 or part thereof,

12 (6) 5% tax on next \$2,800.00 or part thereof,

13 (7) 6% tax on next \$6,000.00 or part thereof, and

14 (8) (a) for taxable years beginning after December
15 31, 1998, and before January 1, 2002, 6.75%
16 tax on the remainder,

17 (b) for taxable years beginning on or after
18 January 1, 2002, and before January 1, 2004,
19 7% tax on the remainder, and

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

22 2. METHOD 2.

23 a. Single individuals and married individuals filing
24 separately deducting federal income tax:

- 1 (1) 1/2% tax on first \$1,000.00 or part thereof,
- 2 (2) 1% tax on next \$1,500.00 or part thereof,
- 3 (3) 2% tax on next \$1,250.00 or part thereof,
- 4 (4) 3% tax on next \$1,150.00 or part thereof,
- 5 (5) 4% tax on next \$1,200.00 or part thereof,
- 6 (6) 5% tax on next \$1,400.00 or part thereof,
- 7 (7) 6% tax on next \$1,500.00 or part thereof,
- 8 (8) 7% tax on next \$1,500.00 or part thereof,
- 9 (9) 8% tax on next \$2,000.00 or part thereof,
- 10 (10) 9% tax on next \$3,500.00 or part thereof, and
- 11 (11) 10% tax on the remainder.

12 b. Married individuals filing jointly and surviving
13 spouse to the extent and in the manner that a
14 surviving spouse is permitted to file a joint return
15 under the provisions of the Internal Revenue Code and
16 heads of households as defined in the Internal Revenue
17 Code deducting federal income tax:

- 18 (1) 1/2% tax on the first \$2,000.00 or part thereof,
- 19 (2) 1% tax on the next \$3,000.00 or part thereof,
- 20 (3) 2% tax on the next \$2,500.00 or part thereof,
- 21 (4) 3% tax on the next \$1,400.00 or part thereof,
- 22 (5) 4% tax on the next \$1,500.00 or part thereof,
- 23 (6) 5% tax on the next \$1,600.00 or part thereof,
- 24 (7) 6% tax on the next \$1,250.00 or part thereof,

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

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

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

- 14 (a) 1/2% tax on first \$1,000.00 or part thereof,
- 15 (b) 1% tax on next \$1,500.00 or part thereof,
- 16 (c) 2% tax on next \$1,250.00 or part thereof,
- 17 (d) 3% tax on next \$1,150.00 or part thereof,
- 18 (e) 4% tax on next \$2,300.00 or part thereof,
- 19 (f) 5% tax on next \$1,500.00 or part thereof,
- 20 (g) 5.50% tax on the remainder for the 2008 tax year and
21 any subsequent tax year unless the rate prescribed by
22 subparagraph (h) of this paragraph is in effect, and
- 23 (h) 5.25% tax on the remainder for the 2009 and subsequent
24 tax years. The decrease in the top marginal

1 individual income tax rate otherwise authorized by
2 this subparagraph shall be contingent upon the
3 determination required to be made by the State Board
4 of Equalization pursuant to Section 2355.1A of this
5 title.

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

- 11 (a) 1/2% tax on first \$2,000.00 or part thereof,
- 12 (b) 1% tax on next \$3,000.00 or part thereof,
- 13 (c) 2% tax on next \$2,500.00 or part thereof,
- 14 (d) 3% tax on next \$2,300.00 or part thereof,
- 15 (e) 4% tax on next \$2,400.00 or part thereof,
- 16 (f) 5% tax on next \$2,800.00 or part thereof,
- 17 (g) 5.50% tax on the remainder for the 2008 tax year and
18 any subsequent tax year unless the rate prescribed by
19 subparagraph (h) of this paragraph is in effect, and
- 20 (h) 5.25% tax on the remainder for the 2009 and subsequent
21 tax years. The decrease in the top marginal
22 individual income tax rate otherwise authorized by
23 this subparagraph shall be contingent upon the
24 determination required to be made by the State Board

1 of Equalization pursuant to Section 2355.1A of this
2 title.

3 C. Individuals. For all taxable years beginning on or after
4 January 1, 2016 2022, and ~~for which the determination required~~
5 ~~pursuant to Sections 4 and 5 of this act is made by the State Board~~
6 ~~of Equalization~~, a tax is hereby imposed upon the Oklahoma taxable
7 income of every resident or nonresident individual, which tax shall
8 be computed as follows:

9 1. Single individuals and married individuals filing
10 separately:

11 (a) ~~1/2%~~ 0.25% tax on first \$1,000.00 or part thereof,

12 (b) ~~1%~~ 0.75% tax on next \$1,500.00 or part thereof,

13 (c) ~~2%~~ 1.75% tax on next \$1,250.00 or part thereof,

14 (d) ~~3%~~ 2.75% tax on next \$1,150.00 or part thereof,

15 (e) ~~4%~~ 3.75% tax on next \$2,300.00 or part thereof,

16 (f) ~~5%~~ 4.75% tax on the remainder ~~if the State Board of~~
17 ~~Equalization makes a determination pursuant to Section~~
18 ~~4 of this act or four and eighty-five hundredths~~
19 ~~(4.85%) tax on the remainder if the State Board of~~
20 ~~Equalization makes a determination pursuant to Section~~
21 ~~5 of this act.~~

22 2. Married individuals filing jointly and surviving spouse to
23 the extent and in the manner that a surviving spouse is permitted to
24 file a joint return under the provisions of the Internal Revenue

1 Code and heads of households as defined in the Internal Revenue
2 Code:

3 (a) ~~1/2%~~ 0.25% tax on first \$2,000.00 or part thereof,

4 (b) ~~1%~~ 0.75% tax on next \$3,000.00 or part thereof,

5 (c) ~~2%~~ 1.75% tax on next \$2,500.00 or part thereof,

6 (d) ~~3%~~ 2.75% tax on next \$2,300.00 or part thereof,

7 (e) ~~4%~~ 3.75% tax on next \$2,400.00 or part thereof,

8 (f) ~~5%~~ 4.75% tax on the remainder ~~if the State Board of~~

9 ~~Equalization makes a determination pursuant to Section~~

10 ~~4 of this act or four and eighty-five hundredths~~

11 ~~percent (4.85%) tax on the remainder if the State~~

12 ~~Board of Equalization makes a determination pursuant~~

13 ~~to Section 5 of this act.~~

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

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

23 Every payer of amounts covered by this subsection shall deduct
24 and withhold from such amounts paid each payee an amount equal to

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

18 E. Corporations. For all taxable years beginning after
19 December 31, 1989, a tax is hereby imposed upon the Oklahoma taxable
20 income of every corporation doing business within this state or
21 deriving income from sources within this state in an amount equal to
22 six percent (6%) thereof.

23 There shall be no additional Oklahoma income tax imposed on
24 accumulated taxable income or on undistributed personal holding

1 company income as those terms are defined in the Internal Revenue
2 Code.

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

11 Every payer of amounts covered by this subsection shall deduct
12 and withhold from such amounts paid each payee an amount equal to
13 six percent (6%) thereof. Every payer required to deduct and
14 withhold taxes under this subsection shall for each quarterly period
15 on or before the last day of the month following the close of each
16 such quarterly period, pay over the amount so withheld as taxes to
17 the Tax Commission, and shall file a return with each such payment.
18 Such return shall be in such form as the Tax Commission shall
19 prescribe. Every payer required under this subsection to deduct and
20 withhold a tax from a payee shall, as to the total amounts paid to
21 each payee during the calendar year, furnish to such payee, on or
22 before January 31, of the succeeding year, a written statement
23 showing the name of the payer, the name of the payee and the payee's
24 social security account number, if any, the total amounts paid

1 subject to taxation, the total amount deducted and withheld as tax
2 and such other information as the Tax Commission may require. Any
3 payer who fails to withhold or pay to the Tax Commission any sums
4 herein required to be withheld or paid shall be personally and
5 individually liable therefor to the State of Oklahoma.

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

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

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1 SECTION 2. AMENDATORY 68 O.S. 2011, Section 2357.43, as
2 amended by Section 1, Chapter 341, O.S.L. 2016 (68 O.S. Supp. 2020,
3 Section 2357.43), is amended to read as follows:

4 Section 2357.43 For tax years beginning on or after ~~December~~
5 ~~31, 2001~~ January 1, 2022, there shall be allowed to a resident
6 individual or a part-year resident individual as a credit against
7 the tax imposed by Section 2355 of this title five percent (5%) of
8 the earned income tax credit allowed under Section 32 of the
9 Internal Revenue Code of the United States, 26 U.S.C., Section 32,
10 which for the taxable year beginning January 1, 2022, and the
11 taxable year beginning each January 1 thereafter shall be computed
12 using the same requirements, other than the five percent (5%) amount
13 to compute the credit as prescribed by this section which shall
14 remain constant, in effect for computation of the earned income tax
15 credit for federal income tax purposes for the 2020 income tax year.
16 However, this credit shall not be paid in advance pursuant to the
17 provisions of Section 3507 of the Internal Revenue Code. For tax
18 years which begin ~~before~~ on or after January 1, ~~2016~~ 2022, if the
19 credit exceeds the tax imposed by Section 2355 of this title, the
20 excess amount shall be refunded to the taxpayer. The maximum earned
21 income tax credit allowable on the Oklahoma income tax return shall
22 be prorated on the ratio that Oklahoma adjusted gross income bears
23 to the federal adjusted gross income.

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1 SECTION 3. This act shall become effective January 1, 2022.

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3 COMMITTEE REPORT BY: COMMITTEE ON JOINT COMMITTEE ON APPROPRIATIONS
4 AND BUDGET, dated 05/17/2021 - DO PASS, As Amended and Coauthored.
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