

STATE OF OKLAHOMA

1st Session of the 47th Legislature (1999)

SENATE BILL NO. 14

By: Long

AS INTRODUCED

An Act relating to revenue and taxation; amending 68 O.S. 1991, Section 2355, as last amended by Section 2, Chapter 427, O.S.L. 1998 (68 O.S. Supp. 1998, Section 2355), which relates to income taxes; reducing rate of sales tax on certain food and beverages until certain date; providing that such reduction not apply to local sales tax; providing that any sales tax rate increase not apply to such food and beverages; reducing highest income tax rate which may be imposed under Method 1 subject to certain conditions; creating Revenue Replacement Board; providing for membership and meetings thereof; specifying purpose of Board; providing for taking effect of income tax rate reductions and certain other provisions; specifying certain duty of State Board of Equalization; providing for codification; and declaring an emergency.

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

SECTION 1. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 1357.9 of Title 68, unless there is created a duplication in numbering, reads as follows:

A. Beginning January 1, 2000, subject to the provisions of Section 3 of this act, the rate of tax imposed by Section 1354 of Title 68 of the Oklahoma Statutes shall be reduced by one-half of one percent (1/2 of 1%) each year for sales of all eligible food and beverages as defined in the federal Food Stamp Act, 7 U.S.C., Section 2011 et seq., as the act existed on January 1, 1999. The one-half of one percent (1/2 of 1%) reduction in the sales tax rate shall continue each year until January 1, 2008, at which time all eligible food and beverages shall be exempt from the tax levied pursuant to Section 1354 of Title 68 of the Oklahoma Statutes.

B. The exemption provided for in subsection A of this section for all eligible food and beverages shall not apply to any county or municipal sales tax imposed pursuant to law.

C. Any increase in the tax levied pursuant to Section 1354 of Title 68 of the Oklahoma Statutes shall not apply to such eligible food and beverages.

SECTION 2. AMENDATORY 68 O.S. 1991, Section 2355, as last amended by Section 2, Chapter 427, O.S.L. 1998 (68 O.S. Supp. 1998, Section 2355), is amended to read as follows:

Section 2355. A. Individuals. Except as otherwise provided in Section ~~3~~ 4001 of this ~~act~~ title, for all taxable years beginning after ~~December 31, 1998~~ December 31, 1999, a tax is hereby imposed upon the Oklahoma taxable income of every resident or nonresident individual, which tax shall be computed at the option of the taxpayer under one of the two following methods:

1. METHOD 1.

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

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

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

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

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

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

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

(7) 6% tax on next \$2,300.00 or part thereof, and

(8) (a) for taxable years beginning after December 31, 1998, 6.75% tax on the remainder, or

(b) for taxable years beginning after December 31, 1999, for which the State Board of Equalization suspends the provisions of subdivision (a) of this division pursuant to

the provisions of Section ~~3~~ 4001 of this ~~act~~  
title, 7% tax on the remainder.

Provided, subject to the provisions of Section 3 of  
this act, the highest income tax rate to be imposed  
pursuant to the provisions of this subparagraph shall  
be reduced to 6.5% for tax year 2000, to 6% for tax  
year 2001, to 5.5% for tax year 2002, to 5% for tax  
year 2003, to 4.5% for tax year 2004, and to 4% for  
tax year 2005 and thereafter.

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

- (1) 1/2% tax on first \$2,000.00 or part thereof,
- (2) 1% tax on next \$3,000.00 or part thereof,
- (3) 2% tax on next \$2,500.00 or part thereof,
- (4) 3% tax on next \$2,300.00 or part thereof,
- (5) 4% tax on next \$2,400.00 or part thereof,
- (6) 5% tax on next \$2,800.00 or part thereof,
- (7) 6% tax on next \$6,000.00 or part thereof, and
- (8) (a) for taxable years beginning after December  
31, 1998, 6.75% tax on the remainder, or  
(b) for taxable years beginning after December  
31, 1999, for which the State Board of  
Equalization suspends the provisions of  
subdivision (a) of this division pursuant to  
the provisions of Section ~~3~~ 4001 of this ~~act~~  
title, 7% tax on the remainder.

Provided, subject to the provisions of Section 3 of  
this act, the highest income tax rate to be imposed

pursuant to the provisions of this subparagraph shall be reduced to 6.5% for tax year 2000, to 6% for tax year 2001, to 5.5% for tax year 2002, to 5% for tax year 2003, to 4.5% for tax year 2004, and to 4% for tax year 2005 and thereafter.

2. METHOD 2.

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

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

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

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

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

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

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

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

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

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

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

tax and such other information as the Tax Commission may require. Any payer who fails to withhold or pay to the Tax Commission any sums herein required to be withheld or paid shall be personally and individually liable therefor to the State of Oklahoma.

E. Fiduciaries. A tax is hereby imposed upon the Oklahoma taxable income of every trust and estate at the same rates as are provided in subsection A of this section for single individuals. Fiduciaries are not allowed a deduction for any federal income tax paid.

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

SECTION 3. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 119 of Title 68, unless there is created a duplication in numbering, reads as follows:

There is hereby created the Revenue Replacement Board. The Board shall consist of nine (9) members, five of whom shall be appointed by the Governor, two of whom shall be appointed by the President Pro Tempore of the Senate, and two of whom shall be appointed by the Speaker of the House of Representatives. Such appointments shall be made not later than July 1, 1999. The Board shall meet not later than September 1, 1999, and September 1 of each

year thereafter until September 1, 2007, for the purpose of considering sources of revenue to replace revenue which would no longer accrue to the state due to the reductions in the highest income tax rate set forth in subsection A of Section 2355 of Title 68 of the Oklahoma Statutes and/or due to the reductions in the state sales tax rate on eligible food and beverages set forth in Section 1 of this act. Such sources shall include, but not be limited to, sales taxation of tangible personal property and services upon which sales taxes are not currently collected. Upon a majority vote of the members of the Board, which shall occur not later than October 1 of the year preceding the tax year for which the income tax rate reduction and/or state sales tax rate reduction will be applicable, the income tax rate reduction and/or state sales tax rate reduction and the provisions necessary to replace revenue which will no longer accrue to the state due to such rate reduction or reductions will become effective on January 1 of the next ensuing year. The State Board of Equalization shall, within sixty (60) days of a vote of the members of the Board to reduce the income tax rate and/or state sales tax rate and enact provisions to replace such revenue, meet to certify that the replacement revenue is in an amount that equals the amount of revenue which will no longer accrue to the state due to the income tax rate reduction and/or state sales tax rate reduction. Replacement revenue shall be considered equal to the amount of revenue which will no longer accrue to the state due to the income tax rate reduction and/or state sales tax rate reduction if the amount of replacement revenue is within five percent (5%) of the amount which will no longer accrue to the state due to the income tax rate reduction and/or state sales tax rate reduction. If the Board does not make such certification, the income tax rate reduction and provisions for replacing revenue will not become effective.

SECTION 4. It being immediately necessary for the preservation of the public peace, health and safety, an emergency is hereby declared to exist, by reason whereof this act shall take effect and be in full force from and after its passage and approval.

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