

1 **SENATE FLOOR VERSION**

2 February 23, 2012

3 As Ammended

4 SENATE BILL NO. 1437

5 By: Mazzei of the Senate

6 and

7 Dank of the House

8 **[ income tax - rate change - effective date ]**

9  
10 BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

11 SECTION 1. AMENDATORY 68 O.S. 2011, Section 2355, is  
12 amended to read as follows:

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

18 1. METHOD 1.

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

21 (1) 1/2% tax on first \$1,000.00 or part thereof,

22 (2) 1% tax on next \$1,500.00 or part thereof,

23 (3) 2% tax on next \$1,250.00 or part thereof,  
24

- 1 (4) 3% tax on next \$1,150.00 or part thereof,  
2 (5) 4% tax on next \$1,300.00 or part thereof,  
3 (6) 5% tax on next \$1,500.00 or part thereof,  
4 (7) 6% tax on next \$2,300.00 or part thereof, and  
5 (8) (a) for taxable years beginning after December  
6 31, 1998, and before January 1, 2002, 6.75%  
7 tax on the remainder,  
8 (b) for taxable years beginning on or after  
9 January 1, 2002, and before January 1, 2004,  
10 7% tax on the remainder, and  
11 (c) for taxable years beginning on or after  
12 January 1, 2004, 6.65% tax on the remainder.

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

- 19 (1) 1/2% tax on first \$2,000.00 or part thereof,  
20 (2) 1% tax on next \$3,000.00 or part thereof,  
21 (3) 2% tax on next \$2,500.00 or part thereof,  
22 (4) 3% tax on next \$2,300.00 or part thereof,  
23 (5) 4% tax on next \$2,400.00 or part thereof,  
24 (6) 5% tax on next \$2,800.00 or part thereof,

- 1 (7) 6% tax on next \$6,000.00 or part thereof, and  
2 (8) (a) for taxable years beginning after December  
3 31, 1998, and before January 1, 2002, 6.75%  
4 tax on the remainder,  
5 (b) for taxable years beginning on or after  
6 January 1, 2002, and before January 1, 2004,  
7 7% tax on the remainder, and  
8 (c) for taxable years beginning on or after  
9 January 1, 2004, 6.65% tax on the remainder.

10 2. METHOD 2.

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

- 13 (1) 1/2% tax on first \$1,000.00 or part thereof,  
14 (2) 1% tax on next \$1,500.00 or part thereof,  
15 (3) 2% tax on next \$1,250.00 or part thereof,  
16 (4) 3% tax on next \$1,150.00 or part thereof,  
17 (5) 4% tax on next \$1,200.00 or part thereof,  
18 (6) 5% tax on next \$1,400.00 or part thereof,  
19 (7) 6% tax on next \$1,500.00 or part thereof,  
20 (8) 7% tax on next \$1,500.00 or part thereof,  
21 (9) 8% tax on next \$2,000.00 or part thereof,  
22 (10) 9% tax on next \$3,500.00 or part thereof, and  
23 (11) 10% 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 deducting federal income tax:

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

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

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

10           (4) 3% tax on the next \$1,400.00 or part thereof,

11           (5) 4% tax on the next \$1,500.00 or part thereof,

12           (6) 5% tax on the next \$1,600.00 or part thereof,

13           (7) 6% tax on the next \$1,250.00 or part thereof,

14           (8) 7% tax on the next \$1,750.00 or part thereof,

15           (9) 8% tax on the next \$3,000.00 or part thereof,

16           (10) 9% tax on the next \$6,000.00 or part thereof, and

17           (11) 10% tax on the remainder.

18           B. 1. Individuals. For all taxable years beginning on or  
19 after January 1, 2008, and before January 1, 2012, a tax is hereby  
20 imposed upon the Oklahoma taxable income of every resident or  
21 nonresident individual, which tax shall be computed as follows:

22           1.

23           a. Single individuals and married individuals filing  
24 separately:



1        ~~2.~~

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

8        ~~(a)~~

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

10       ~~(b)~~

11       (2) 1% tax on next \$3,000.00 or part thereof,

12       ~~(c)~~

13       (3) 2% tax on next \$2,500.00 or part thereof,

14       ~~(d)~~

15       (4) 3% tax on next \$2,300.00 or part thereof,

16       ~~(e)~~

17       (5) 4% tax on next \$2,400.00 or part thereof,

18       ~~(f)~~

19       (6) 5% tax on next \$2,800.00 or part thereof, and

20       ~~(g)~~

21       (7) 5.50% tax on the remainder for the 2008 tax year

22       ~~and any subsequent~~ through the 2011 tax year

23       ~~unless the rate prescribed by subparagraph (h) of~~

24       ~~this paragraph is in effect, and~~

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

8 2. Individuals. For the taxable year beginning on January 1,  
9 2012, a tax is hereby imposed upon the Oklahoma taxable income of  
10 every resident or nonresident individual, which tax shall be  
11 computed as follows:

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

14 (1) 1/2% tax on first \$1,000.00 or part thereof,

15 (2) 1% tax on next \$1,500.00 or part thereof,

16 (3) 2% tax on next \$1,250.00 or part thereof,

17 (4) 3% tax on next \$1,150.00 or part thereof,

18 (5) 4% tax on next \$2,300.00 or part thereof,

19 (6) 5% tax on next \$1,500.00 or part thereof, and

20 (7) 5.25% tax on the remainder.

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

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

- 3 (1) 1/2% tax on first \$2,000.00 or part thereof,
- 4 (2) 1% tax on next \$3,000.00 or part thereof,
- 5 (3) 2% tax on next \$2,500.00 or part thereof,
- 6 (4) 3% tax on next \$2,300.00 or part thereof,
- 7 (5) 4% tax on next \$2,400.00 or part thereof,
- 8 (6) 5% tax on next \$2,800.00 or part thereof, and
- 9 (7) 5.25% tax on the remainder.

10 3. Individuals. For the taxable year beginning on January 1,  
11 2013, a tax is hereby imposed upon the Oklahoma taxable income of  
12 every resident or nonresident individual, which tax shall be  
13 computed as follows:

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

- 16 (1) 1/2% tax on first \$1,000.00 or part thereof,
- 17 (2) 1% tax on next \$1,500.00 or part thereof,
- 18 (3) 2% tax on next \$1,250.00 or part thereof,
- 19 (4) 3% tax on next \$1,150.00 or part thereof,
- 20 (5) 4% tax on next \$2,300.00 or part thereof, and
- 21 (6) 5% tax on the remainder.

22 b. Married individuals filing jointly and surviving  
23 spouse to the extent and in the manner that a  
24 surviving spouse is permitted to file a joint return

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

- 4 (1) 1/2% tax on first \$2,000.00 or part thereof,  
5 (2) 1% tax on next \$3,000.00 or part thereof,  
6 (3) 2% tax on next \$2,500.00 or part thereof,  
7 (4) 3% tax on next \$2,300.00 or part thereof,  
8 (5) 4% tax on next \$2,400.00 or part thereof, and  
9 (6) 5% tax on the remainder.

10 4. Individuals. For the taxable year beginning on January 1,  
11 2014, a tax is hereby imposed upon the Oklahoma taxable income of  
12 every resident or nonresident individual, which tax shall be  
13 computed as follows:

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

- 16 (1) 1/2% tax on first \$1,000.00 or part thereof,  
17 (2) 1% tax on next \$1,500.00 or part thereof,  
18 (3) 2% tax on next \$1,250.00 or part thereof,  
19 (4) 3% tax on next \$1,150.00 or part thereof,  
20 (5) 4% tax on next \$2,300.00 or part thereof,  
21 (6) 4.75% tax on the remainder for the 2014 tax year  
22 and any subsequent tax year unless the rate  
23 prescribed by division (7) of this subparagraph  
24 is in effect, and

1           (7) 4.5% tax on the remainder for the 2016 tax year  
2           and subsequent tax years. The decrease in the  
3           top marginal individual income tax rate otherwise  
4           authorized by this division shall be contingent  
5           upon the determination required to be made by the  
6           State Board of Equalization pursuant to Section  
7           2355.1A of this title.

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

14           (1) 1/2% tax on first \$2,000.00 or part thereof,

15           (2) 1% tax on next \$3,000.00 or part thereof,

16           (3) 2% tax on next \$2,500.00 or part thereof,

17           (4) 3% tax on next \$2,300.00 or part thereof,

18           (5) 4% tax on the next \$2,400.00 or part thereof,

19           (6) 4.75% tax on the remainder for the **2014** tax year

20           and any subsequent tax year unless the rate

21           prescribed by division (7) of this subparagraph

22           is in effect, and

23           (7) 4.5% tax on the remainder for the **2016** tax year

24           and subsequent tax years. The decrease in the

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

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

8           C. Nonresident aliens. In lieu of the rates set forth in  
9 subsection A ~~above~~ of this section, there shall be imposed on  
10 nonresident aliens, as defined in the Internal Revenue Code, a tax  
11 of eight percent (8%) instead of thirty percent (30%) as used in the  
12 Internal Revenue Code, with respect to the Oklahoma taxable income  
13 of such nonresident aliens as determined under the provision of the  
14 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 eight percent (8%) 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, 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 amount paid  
5 subject to taxation, and the total amount deducted and withheld as  
6 tax and such other information as the Tax Commission may require.  
7 Any payer who fails to withhold or pay to the Tax Commission any  
8 sums herein required to be withheld or paid shall be personally and  
9 individually liable therefor to the State of Oklahoma.

10 D. Corporations. For all taxable years beginning after  
11 December 31, 1989 and ending on or before December 31, 2012, a tax  
12 is hereby imposed upon the Oklahoma taxable income of every  
13 corporation doing business within this state or deriving income from  
14 sources within this state in an amount equal to six percent (6%)  
15 thereof. For all taxable years beginning on or after January 1,  
16 2013, a tax is hereby imposed upon the Oklahoma taxable income of  
17 every corporation doing business within this state or deriving  
18 income from sources within this state in an amount equal to five  
19 percent (5%) thereof.

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

24

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

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

1 payer who fails to withhold or pay to the Tax Commission any sums  
2 herein required to be withheld or paid shall be personally and  
3 individually liable therefor to the State of Oklahoma.

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

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

22 SECTION 2. AMENDATORY 68 O.S. 2011, Section 2355.1A, is  
23 amended to read as follows:

24

1 Section 2355.1A. A. The provisions of this section shall be  
2 applicable with respect to the implementation of the decreases in  
3 the top marginal rate of individual income tax otherwise authorized  
4 pursuant to the provisions of ~~subparagraph (h) of paragraphs 1 and 2~~  
5 ~~of subsection B of Section 2355 of this title~~ division (7) of  
6 subparagraphs a and b of paragraph 4 of subsection B of Section 2355  
7 of this title which shall be contingent upon a determination by the  
8 State Board of Equalization made by a comparison of the revenue  
9 computations described by this section which shall be conducted  
10 until the income tax rate of ~~five and twenty-five hundredths percent~~  
11 ~~(5.25%)~~ four and one-half percent (4.50%) is effective.

12 B. ~~In addition to any other duties prescribed by law, at the~~  
13 ~~meeting required by paragraph 1 of Section 23 of Article X of the~~  
14 ~~Oklahoma Constitution to be held in December 2008, and for any~~  
15 ~~subsequent December meeting of the State Board of Equalization if~~  
16 ~~the top marginal income tax rate prescribed by subparagraph (h) of~~  
17 ~~paragraphs 1 and 2 of subsection B of Section 2355 of this title has~~  
18 ~~not become effective, the State Board of Equalization shall~~  
19 ~~determine:~~

20 1. ~~The amount of revenue growth in the General Revenue Fund of~~  
21 ~~the State Treasury by comparing the fiscal year General Revenue Fund~~  
22 ~~estimate for the fiscal year beginning on the next ensuing July 1~~  
23 ~~date to the revised General Revenue Fund estimate for the then~~  
24 ~~current fiscal year; and~~

1       ~~2. The amount by which the income tax revenue for the tax year~~  
2 ~~which will begin on the second January 1 date following such~~  
3 ~~December meeting is estimated to be reduced by the increase in the~~  
4 ~~standard deduction provided in paragraph 2 of subsection E of~~  
5 ~~Section 2358 of this title, plus an amount equal to four percent~~  
6 ~~(4%) of the revised General Revenue Fund estimate for the then~~  
7 ~~current fiscal year in order for a top marginal income tax rate of~~  
8 ~~five and twenty-five hundredths percent (5.25%) to be effective.~~

9       ~~If the amount determined pursuant to the provisions of paragraph~~  
10 ~~1 of this subsection is equal to or greater than the amount~~  
11 ~~determined pursuant to the provisions of paragraph 2 of this~~  
12 ~~subsection, the Board shall make a preliminary finding that the~~  
13 ~~Board anticipates that a finding will be made at the February~~  
14 ~~meeting immediately subsequent to the December meeting that~~  
15 ~~applicable revenue growth in the state will authorize the~~  
16 ~~implementation of the provisions of subparagraph (h) of paragraphs 1~~  
17 ~~and 2 of subsection B of Section 2355 of this title beginning on the~~  
18 ~~second January 1 following such 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 applicable revenue growth in the state will~~

1 ~~not authorize the implementation of the provisions of subparagraph~~  
2 ~~(h) of paragraphs 1 and 2 of subsection B of Section 2355 of this~~  
3 ~~title beginning on the second January 1 following such December~~  
4 ~~meeting.~~

5       ~~C.~~ In addition to any other duties prescribed by law, at the  
6 meeting required by paragraph 3 of Section 23 of Article X of the  
7 Oklahoma Constitution to be held in February ~~2009~~ 2015, and for any  
8 subsequent February meeting of the State Board of Equalization if  
9 the top marginal income tax rate prescribed by ~~subparagraph (h) of~~  
10 ~~paragraphs 1 and 2~~ division (7) of subparagraphs a and b of  
11 paragraph 4 of subsection B of Section 2355 of this title has not  
12 become effective the State Board of Equalization shall determine:

13       1. The amount of revenue growth in the General Revenue Fund of  
14 the State Treasury by comparing the fiscal year General Revenue Fund  
15 estimate for the fiscal year beginning on the next ensuing July 1  
16 date to the revised General Revenue Fund estimate for the ~~then~~  
17 ~~current~~ fiscal year ending on June 30, 2011; and

18       2. The amount by which the income tax revenue for the tax year  
19 which will begin on the January 1 date immediately following such  
20 February meeting is estimated to be reduced by the increase in the  
21 standard deduction provided in paragraph 2 of subsection E of  
22 Section 2358 of this title plus an amount equal to four percent (4%)  
23 of the revised General Revenue Fund estimate for the ~~then-current~~  
24 fiscal year ending on June 30, 2011 in order for a top marginal

1 income tax rate of ~~five and twenty-five hundredths percent (5.25%)~~  
2 four and one-half percent (4.50%) to be effective.

3 If the amount determined pursuant to the provisions of paragraph  
4 1 of this subsection is equal to or greater than the amount  
5 determined pursuant to the provisions of paragraph 2 of this  
6 subsection, the Board shall make a finding that applicable revenue  
7 growth in the state will authorize the implementation of the  
8 provisions of ~~subparagraph (h) of paragraphs 1 and 2~~ division (7) of  
9 subparagraphs a and b of paragraph 4 of subsection B of Section 2355  
10 of this title beginning on the January 1 date immediately following  
11 such February meeting.

12 If the amount determined pursuant to the provisions of paragraph  
13 1 of this subsection is less than the amount determined pursuant to  
14 the provisions of paragraph 2 of this subsection, the Board shall  
15 make a finding that applicable revenue growth in the state does not  
16 authorize the implementation of the provisions of ~~subparagraph (h)~~  
17 ~~of paragraphs 1 and 2~~ division (7) of subparagraphs a and b of  
18 paragraph 4 of subsection B of Section 2355 of this title beginning  
19 with the January 1 date immediately following such February meeting.

20 ~~D.~~ C. If the Board makes a finding that applicable revenue  
21 growth in the state does not authorize the implementation of the  
22 provisions of ~~subparagraph (h) of paragraphs 1 and 2~~ division (7) of  
23 subparagraphs a and b of paragraph 4 of subsection B of Section 2355  
24 of this title beginning with calendar year ~~2010~~ 2016 pursuant to the

1 provisions of subsection C of this section, the procedures  
2 prescribed by ~~subsection A, subsection B, and subsection C~~ of this  
3 section shall be repeated by the State Board of Equalization for  
4 each successive two-year comparison. Once the income tax rate  
5 otherwise authorized pursuant to ~~subparagraph (h) of paragraphs 1~~  
6 ~~and 2~~ division (7) of subparagraphs a and b of paragraph 4 of  
7 subsection B of Section 2355 of this title has been implemented as a  
8 result of the analysis of the General Revenue Fund estimates  
9 together with the fiscal impact of the standard deduction as  
10 authorized pursuant to paragraph 2 of subsection E of Section 2358  
11 of this title, such income tax rate shall be in effect for the tax  
12 years as prescribed by ~~subparagraph (h) of paragraphs 1 and 2~~  
13 division (7) of subparagraphs a and b of paragraph 4 of subsection B  
14 of Section 2355 of this title.

15 SECTION 3. This act shall become effective January 1, 2013.

16 COMMITTEE REPORT BY: COMMITTEE ON FINANCE, dated 2-21-12 - DO PASS,  
17 As Amended and Coauthored.  
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19  
20  
21  
22  
23  
24