

1 **SENATE FLOOR VERSION**

2 February 23, 2012

3 COMMITTEE SUBSTITUTE  
4 FOR

5 SENATE BILL NO. 1571

By: Jolley of the Senate

and

Osborn of the House

6  
7  
8  
9 [ income tax - modifying tax rates - codification -  
10 effective date ]

11  
12 BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

13 SECTION 1. AMENDATORY 68 O.S. 2011, Section 1353, is  
14 amended to read as follows:

15 Section 1353. A. It is hereby declared to be the purpose of  
16 the Oklahoma Sales Tax Code to provide funds for the financing of  
17 the program provided for by the Oklahoma Social Security Act and to  
18 provide revenues for the support of the functions of the state  
19 government of Oklahoma, and for this purpose it is hereby expressly  
20 provided that, revenues derived pursuant to the provisions of the  
21 Oklahoma Sales Tax Code, subject to the apportionment requirements  
22 for the Oklahoma Tax Commission and Office of State Finance Joint  
23 Computer Enhancement Fund provided by Section 265 of this title and  
24 beginning July 1, 2013, if applicable, subject to the apportionment

1 requirements for the Rebuilding Oklahoma Access and Driver Safety  
2 Fund, the Oklahoma Tourism and Passenger Rail Revolving Fund and the  
3 Public Transit Revolving Fund to be derived from sales tax revenue  
4 that would otherwise be apportioned to the General Revenue Fund as  
5 provided by Section 1521 of Title 69 of the Oklahoma Statutes, shall  
6 be apportioned as follows:

7 1. a. the following amounts shall be paid to the State  
8 Treasurer to be placed to the credit of the General  
9 Revenue Fund to be paid out pursuant to direct  
10 appropriation by the Legislature:

Fiscal Year	Amount
FY 2003 and FY 2004	86.04%
FY 2005	85.83%
FY 2006	85.54%
FY 2007	85.04%
<del>FY 2008 and each fiscal</del>	
<del>year thereafter</del>	<del>83.61%</del>
<u>FY 2008 through FY 2013</u>	<u>83.61%</u>
<u>FY 2014 and each fiscal</u>	
<u>year thereafter</u>	<u>82.61%</u>

21 b. in the event that additional monies are necessary  
22 pursuant to paragraph 6 of this section, such  
23 additional monies shall be deducted in the proportion  
24 determined by the State Board of Equalization pursuant

1 to paragraph 3 of Section 2355.1B of this title from  
2 the monies apportioned to the General Revenue Fund;

3 2. For FY 2003, FY 2004 and FY 2005, ten and forty-two one-  
4 hundredths percent (10.42%), shall be paid to the State Treasurer to  
5 be placed to the credit of the Education Reform Revolving Fund of  
6 the State Department of Education and for FY 2006 and each fiscal  
7 year thereafter, ten and forty-six one-hundredths percent (10.46%)  
8 shall be paid to the State Treasurer to be placed to the credit of  
9 the Education Reform Revolving Fund of the State Department of  
10 Education;

11 3. The following amounts shall be paid to the State Treasurer  
12 to be placed to the credit of the Teachers' Retirement System  
13 Dedicated Revenue Revolving Fund:

14 Fiscal Year	Amount
15 FY 2003 and FY 2004	3.54%
16 FY 2005	3.75%
17 FY 2006	4.0%
18 FY 2007	4.5%
19 FY 2008 and each fiscal	
20 year thereafter	5.0%

21 4. For the fiscal year beginning July 1, 2010, and for each  
22 fiscal year thereafter, eighty-seven one-hundredths percent (0.87%)  
23 shall be paid to the State Treasurer to be further apportioned as  
24 follows:

- 1           a.    thirty-six percent (36%) shall be placed to the credit  
2                   of the Oklahoma Tourism Promotion Revolving Fund, and  
3           b.    sixty-four percent (64%) shall be placed to the credit  
4                   of the Oklahoma Tourism Capital Improvement Revolving  
5                   Fund; and

6           5.    For the fiscal year beginning July 1, 2010, and for each  
7           fiscal year thereafter, six one-hundredths percent (0.06%) shall be  
8           placed to the credit of the Oklahoma Historical Society Capital  
9           Improvement and Operations Revolving Fund.

10          6.    ~~During the first fiscal year after the State Board of~~  
11 ~~Equalization has made a determination as provided in Section 2355.1B~~  
12 ~~of this title, regarding a baseline amount of revenue apportioned~~  
13 ~~pursuant to paragraph 3 of this section, and for each fiscal year~~  
14 ~~thereafter, in~~ For the fiscal year beginning July 1, 2013, and for  
15 each fiscal year thereafter, one percent (1%) shall be placed to the  
16 credit of the Ad Valorem Reimbursement Fund.

17          7.    In no event shall monies apportioned pursuant to paragraph 3  
18 of this section, and paragraph 3 of Section 1403 of this title and  
19 subparagraph c of paragraph 1 of Section 2352 of this title be less  
20 than such baseline amount the amount apportioned in the fiscal year  
21 beginning on July 1, 2012. If such amounts are reduced, the amount  
22 apportioned pursuant to paragraph 1 of this section and paragraph 1  
23 of Section 1403 of this title shall be reduced accordingly.

1 B. Provided, for the fiscal year beginning July 1, 2007, and  
2 every fiscal year thereafter, an amount of revenue shall be  
3 apportioned to each municipality or county which levies a sales tax  
4 subject to the provisions of Section 1357.10 of this title and  
5 subsection F of Section 2701 of this title equal to the amount of  
6 sales tax revenue of such municipality or county exempted by the  
7 provisions of Section 1357.10 of this title and subsection F of  
8 Section 2701 of this title. The Oklahoma Tax Commission shall  
9 promulgate and adopt rules necessary to implement the provisions of  
10 this subsection.

11 SECTION 2. 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 (4) 3% tax on next \$1,150.00 or part thereof,

- 1 (5) 4% tax on next \$1,300.00 or part thereof,  
2 (6) 5% tax on next \$1,500.00 or part thereof,  
3 (7) 6% tax on next \$2,300.00 or part thereof, and  
4 (8) (a) for taxable years beginning after December  
5 31, 1998, and before January 1, 2002, 6.75%  
6 tax on the remainder,  
7 (b) for taxable years beginning on or after  
8 January 1, 2002, and before January 1, 2004,  
9 7% tax on the remainder, and  
10 (c) for taxable years beginning on or after  
11 January 1, 2004, 6.65% 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 not deducting federal income tax:

- 18 (1) 1/2% tax on first \$2,000.00 or part thereof,  
19 (2) 1% tax on next \$3,000.00 or part thereof,  
20 (3) 2% tax on next \$2,500.00 or part thereof,  
21 (4) 3% tax on next \$2,300.00 or part thereof,  
22 (5) 4% tax on next \$2,400.00 or part thereof,  
23 (6) 5% tax on next \$2,800.00 or part thereof,  
24 (7) 6% tax on next \$6,000.00 or part thereof, and

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

9 2. METHOD 2.

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

- 12 (1) 1/2% tax on first \$1,000.00 or part thereof,  
13 (2) 1% tax on next \$1,500.00 or part thereof,  
14 (3) 2% tax on next \$1,250.00 or part thereof,  
15 (4) 3% tax on next \$1,150.00 or part thereof,  
16 (5) 4% tax on next \$1,200.00 or part thereof,  
17 (6) 5% tax on next \$1,400.00 or part thereof,  
18 (7) 6% tax on next \$1,500.00 or part thereof,  
19 (8) 7% tax on next \$1,500.00 or part thereof,  
20 (9) 8% tax on next \$2,000.00 or part thereof,  
21 (10) 9% tax on next \$3,500.00 or part thereof, and  
22 (11) 10% tax on the remainder.

23 b. Married individuals filing jointly and surviving  
24 spouse to the extent and in the manner that a

1 surviving spouse is permitted to file a joint return  
2 under the provisions of the Internal Revenue Code and  
3 heads of households as defined in the Internal Revenue  
4 Code deducting federal income tax:

- 5 (1) 1/2% tax on the first \$2,000.00 or part thereof,
- 6 (2) 1% tax on the next \$3,000.00 or part thereof,
- 7 (3) 2% tax on the next \$2,500.00 or part thereof,
- 8 (4) 3% tax on the next \$1,400.00 or part thereof,
- 9 (5) 4% tax on the next \$1,500.00 or part thereof,
- 10 (6) 5% tax on the next \$1,600.00 or part thereof,
- 11 (7) 6% tax on the next \$1,250.00 or part thereof,
- 12 (8) 7% tax on the next \$1,750.00 or part thereof,
- 13 (9) 8% tax on the next \$3,000.00 or part thereof,
- 14 (10) 9% tax on the next \$6,000.00 or part thereof, and
- 15 (11) 10% tax on the remainder.

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

20 1.

21 a. Single individuals and married individuals filing  
22 separately:

23 ~~(a)~~

24 (1) 1/2% tax on first \$1,000.00 or part thereof,

- 1                   ~~(b)~~
- 2                   (2)   1% tax on next \$1,500.00 or part thereof,
- 3                   ~~(c)~~
- 4                   (3)   2% tax on next \$1,250.00 or part thereof,
- 5                   ~~(d)~~
- 6                   (4)   3% tax on next \$1,150.00 or part thereof,
- 7                   ~~(e)~~
- 8                   (5)   4% tax on next \$2,300.00 or part thereof,
- 9                   ~~(f)~~
- 10                  (6)   5% tax on next \$1,500.00 or part thereof, and
- 11                  ~~(g)~~
- 12                  (7)   5.50% tax on the remainder for the 2008 tax year
- 13                               ~~and any subsequent~~ through the 2011 tax year
- 14                               ~~unless the rate prescribed by subparagraph (h) of~~
- 15                               ~~this paragraph is in effect, and~~
- 16                  ~~(h) 5.25% tax on the remainder for the 2009 and~~
- 17                               ~~subsequent tax years. The decrease in the top~~
- 18                               ~~marginal individual income tax rate otherwise~~
- 19                               ~~authorized by this subparagraph shall be~~
- 20                               ~~contingent upon the determination required to be~~
- 21                               ~~made by the State Board of Equalization pursuant~~
- 22                               ~~to Section 2355.1A of this title.~~

23                   ~~2.~~

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:

7           ~~(a)~~

8           (1) 1/2% tax on first \$2,000.00 or part thereof,

9           ~~(b)~~

10          (2) 1% tax on next \$3,000.00 or part thereof,

11          ~~(c)~~

12          (3) 2% tax on next \$2,500.00 or part thereof,

13          ~~(d)~~

14          (4) 3% tax on next \$2,300.00 or part thereof,

15          ~~(e)~~

16          (5) 4% tax on next \$2,400.00 or part thereof,

17          ~~(f)~~

18          (6) 5% tax on next \$2,800.00 or part thereof, and

19          ~~(g)~~

20          (7) 5.50% tax on the remainder for the 2008 tax year

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

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

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

24

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.

11 a. for taxable years beginning on and after January 1,  
12 2013, no tax shall be imposed for any resident or  
13 nonresident individual:

- 14 (1) Single individuals and married individuals filing  
15 separately whose Oklahoma taxable income is equal  
16 to or less than Eight Thousand Seven Hundred  
17 Dollars (\$8,700.00), and  
18 (2) Married individuals filing jointly and surviving  
19 spouse to the extent and in the manner that a  
20 surviving spouse is permitted to file a joint  
21 return under the provisions of the Internal  
22 Revenue Code and heads of households as defined  
23 in the Internal Revenue Code, whose Oklahoma  
24

1                   taxable income is equal to or less than Fifteen  
2                   Thousand Dollars (\$15,000.00).

3       b. For the taxable year beginning on January 1, 2013, a  
4       tax of 2.25% is hereby imposed upon the Oklahoma  
5       taxable income of every resident or nonresident  
6       individual not subject to subparagraph a of this  
7       paragraph.

8       c. For the taxable year beginning on January 1, 2014, a  
9       tax of 2% is hereby imposed upon the Oklahoma taxable  
10      income of every resident or nonresident individual not  
11      subject to subparagraph a of this paragraph.

12      d. For the taxable year beginning on January 1, 2015, a  
13      tax of 1.75% is hereby imposed upon the Oklahoma  
14      taxable income of every resident or nonresident  
15      individual not subject to subparagraph a of this  
16      paragraph.

17      e. For the taxable year beginning on January 1, 2016, a  
18      tax of 1.5% is hereby imposed upon the Oklahoma  
19      taxable income of every resident or nonresident  
20      individual not subject to subparagraph a of this  
21      paragraph.

22      f. For the taxable year beginning on January 1, 2017, a  
23      tax of 1.25% is hereby imposed upon the Oklahoma  
24      taxable income of every resident or nonresident

1 individual not subject to subparagraph a of this  
2 paragraph.

3 g. For the taxable year beginning on January 1, 2018, a  
4 tax of 1% is hereby imposed upon the Oklahoma taxable  
5 income of every resident or nonresident individual not  
6 subject to subparagraph a of this paragraph.

7 h. For the taxable year beginning on January 1, 2019, a  
8 tax of .75% is hereby imposed upon the Oklahoma  
9 taxable income of every resident or nonresident  
10 individual not subject to subparagraph a of this  
11 paragraph.

12 i. For the taxable year beginning on January 1, 2020, a  
13 tax of .50% is hereby imposed upon the Oklahoma  
14 taxable income of every resident or nonresident  
15 individual not subject to subparagraph a of this  
16 paragraph.

17 j. For the taxable year beginning on January 1, 2021, a  
18 tax of .25% is hereby imposed upon the Oklahoma  
19 taxable income of every resident or nonresident  
20 individual not subject to subparagraph a of this  
21 paragraph.

22 k. For taxable years beginning on and after January 1,  
23 2022, no tax shall be imposed upon the Oklahoma  
24 taxable income of every resident or nonresident

1           individual not subject to subparagraph a of this  
2           paragraph.

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

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

12           Every payer of amounts covered by this subsection shall deduct  
13 and withhold from such amounts paid each payee an amount equal to  
14 eight percent (8%) thereof. Every payer required to deduct and  
15 withhold taxes under this subsection shall for each quarterly period  
16 on or before the last day of the month following the close of each  
17 such quarterly period, pay over the amount so withheld as taxes to  
18 the Tax Commission, and shall file a return with each such payment.  
19 Such return shall be in such form as the Tax Commission shall  
20 prescribe. Every payer required under this subsection to deduct and  
21 withhold a tax from a payee shall, as to the total amounts paid to  
22 each payee during the calendar year, furnish to such payee, on or  
23 before January 31, of the succeeding year, a written statement  
24 showing the name of the payer, the name of the payee and the payee's

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

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

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

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

24

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

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

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

14 SECTION 3. NEW LAW A new section of law to be codified  
15 in the Oklahoma Statutes as Section 2355.3 of Title 68, unless there  
16 is created a duplication in numbering, reads as follows:

17 For the tax year beginning on January 1, 2013, and all  
18 subsequent tax years, no individual taxpayer may claim any credit,  
19 deduction, exemption or exclusion against the tax imposed by  
20 subsection B of Section 2355 of Title 68 of the Oklahoma Statutes.  
21 For purposes of this section, "individual taxpayer" does not include  
22 a legal business entity, including limited and general partnerships,  
23 corporations, sole proprietorships and limited liability companies  
24

1 even if subject to the tax imposed by subsection B of Section 2355  
2 of Title 68 of the Oklahoma Statutes.

3 SECTION 4. This act shall become effective January 1, 2013.

4 COMMITTEE REPORT BY: COMMITTEE ON FINANCE, dated 2-21-12 - DO PASS,  
5 As Amended and Coauthored.

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