

1 STATE OF OKLAHOMA

2 1st Session of the 54th Legislature (2013)

3 HOUSE BILL 1101

By: Sears

4
5
6 AS INTRODUCED

7 An Act relating to revenue and taxation; amending 68
8 O.S. 2011, Section 2355, which relates to income tax
9 provisions; modifying certain tax rates; providing
10 for decrease in top marginal income tax rate;
11 imposing duties upon State Board of Equalization;
12 requiring computation of certain revenue amounts;
13 providing for reduction of top marginal income tax
14 rate based upon certain computations; providing for
15 decrease in top marginal income tax rate under
16 certain circumstances; repealing 68 O.S. 2011,
17 Section 2355.1A, which relates to certain revenue
18 computations by the State Board of Equalization;
19 providing for codification; and providing an
20 effective date.

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

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

24 Section 2355. A. Individuals. For all taxable years beginning
after December 31, 1998, and before January 1, 2006, 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 (1) 1/2% tax on first \$2,000.00 or part thereof,
- 2 (2) 1% tax on next \$3,000.00 or part thereof,
- 3 (3) 2% tax on next \$2,500.00 or part thereof,
- 4 (4) 3% tax on next \$2,300.00 or part thereof,
- 5 (5) 4% tax on next \$2,400.00 or part thereof,
- 6 (6) 5% tax on next \$2,800.00 or part thereof,
- 7 (7) 6% tax on next \$6,000.00 or part thereof, and
- 8 (8) (a) for taxable years beginning after December
9 31, 1998, and before January 1, 2002, 6.75%
10 tax on the remainder,
11 (b) for taxable years beginning on or after
12 January 1, 2002, and before January 1, 2004,
13 7% tax on the remainder, and
14 (c) for taxable years beginning on or after
15 January 1, 2004, 6.65% tax on the remainder.

16 2. METHOD 2.

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

- 19 (1) 1/2% tax on first \$1,000.00 or part thereof,
- 20 (2) 1% tax on next \$1,500.00 or part thereof,
- 21 (3) 2% tax on next \$1,250.00 or part thereof,
- 22 (4) 3% tax on next \$1,150.00 or part thereof,
- 23 (5) 4% tax on next \$1,200.00 or part thereof,
- 24 (6) 5% tax on next \$1,400.00 or part thereof,

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

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

- 12 (1) 1/2% tax on the first \$2,000.00 or part thereof,
- 13 (2) 1% tax on the next \$3,000.00 or part thereof,
- 14 (3) 2% tax on the next \$2,500.00 or part thereof,
- 15 (4) 3% tax on the next \$1,400.00 or part thereof,
- 16 (5) 4% tax on the next \$1,500.00 or part thereof,
- 17 (6) 5% tax on the next \$1,600.00 or part thereof,
- 18 (7) 6% tax on the next \$1,250.00 or part thereof,
- 19 (8) 7% tax on the next \$1,750.00 or part thereof,
- 20 (9) 8% tax on the next \$3,000.00 or part thereof,
- 21 (10) 9% tax on the next \$6,000.00 or part thereof, and
- 22 (11) 10% tax on the remainder.

23 B. 1. Individuals. For all taxable years beginning on or
24 after January 1, ~~2008~~ 2014, a tax is hereby imposed upon the

1 Oklahoma taxable income of every resident or nonresident individual,
2 which tax shall be computed as follows:

3 ~~1.~~

4 a. Single individuals and married individuals filing
5 separately:

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

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

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

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

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

11 unless a reduction in the top marginal income tax
12 rate is authorized pursuant to division (8) of
13 this subparagraph in which case the rate of tax
14 on the next \$2,300.00 or part thereof shall not
15 be imposed,

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

17 unless a reduction in the top marginal income tax
18 rate is authorized pursuant to division (8) of
19 this subparagraph in which case the rate of tax
20 on the next \$1,500.00 or part thereof shall not
21 be imposed,

22 ~~(g)~~ ~~5.50% tax on the remainder for the 2008 tax year~~
23 ~~and any subsequent tax year unless the rate~~

24

1 ~~prescribed by subparagraph (h) of this paragraph~~
2 ~~is in effect, and~~

3 ~~(h) (7) 5.25% tax on the remainder for the 2009 and~~
4 ~~subsequent 2014 tax years year and subsequent tax~~
5 ~~years unless reduced pursuant to division (8) of~~
6 ~~this subparagraph. The decrease in the top~~
7 ~~marginal individual income tax rate otherwise~~
8 ~~authorized by this subparagraph shall be~~
9 ~~contingent upon the determination required to be~~
10 ~~made by the State Board of Equalization pursuant~~
11 ~~to Section 2355.1A of this title, and~~

12 (8) the top marginal rate of income tax prescribed by
13 division (7) of this subparagraph may be reduced
14 in increments of twenty-five hundredths (0.25)
15 based on the determinations of the State Board of
16 Equalization pursuant to Section 2 of this act
17 to:

- 18 (a) 5.00%,
- 19 (b) 4.75%,
- 20 (c) 4.5%,
- 21 (d) 4.25%,
- 22 (e) 4.00%,
- 23 (f) 3.75%,
- 24 (g) 3.5%, and

1 (h) 3.25%.

2 ~~2.~~

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

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

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

11 ~~(c)~~ (3) 2% tax on next \$2,500.00 or part thereof,

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

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

14 unless a reduction in the top marginal income tax
15 rate is authorized pursuant to division (8) of
16 this subparagraph in which case the rate of tax
17 on the next \$2,400.00 or part thereof shall not
18 be imposed,

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

20 unless a reduction in the top marginal income tax
21 rate is authorized pursuant to division (8) of
22 this subparagraph in which case the rate of tax
23 on the next \$2,800.00 or part thereof shall not
24 be imposed,

1 ~~(g) 5.50% tax on the remainder for the 2008 tax year~~
2 ~~and any subsequent tax year unless the rate~~
3 ~~prescribed by subparagraph (h) of this paragraph~~
4 ~~is in effect, and~~

5 ~~(h) (7) 5.25% tax on the remainder for the 2009 and~~
6 ~~subsequent 2014 tax years year and subsequent tax~~
7 ~~years unless reduced pursuant to division (8) of~~
8 ~~this subparagraph. The decrease in the top~~
9 ~~marginal individual income tax rate otherwise~~
10 ~~authorized by this subparagraph shall be~~
11 ~~contingent upon the determination required to be~~
12 ~~made by the State Board of Equalization pursuant~~
13 ~~to Section 2355.1A of this title, and~~

14 (8) the top marginal rate of income tax prescribed by
15 division (7) of this subparagraph may be reduced
16 in increments of twenty-five hundredths (0.25)
17 based on the determinations of the State Board of
18 Equalization pursuant to Section 2 of this act
19 to:

20 (a) 5.00%,

21 (b) 4.75%,

22 (c) 4.5%,

23 (d) 4.25%,

24 (e) 4.00%,

1 (f) 3.75%,

2 (g) 3.5%, and

3 (h) 3.25%.

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

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

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

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

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

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

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

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 2. NEW LAW A new section of law to be codified
15 in the Oklahoma Statutes as Section 2355.1E of Title 68, unless
16 there is created a duplication in numbering, reads as follows:

17 A. The provisions of this section shall be applicable with
18 respect to the implementation of decreases in the top marginal rate
19 of individual income tax authorized pursuant to the provisions of
20 division (8) of subparagraphs a and b of paragraph 1 of subsection B
21 of Section 2355 of Title 68 of the Oklahoma Statutes. Except as
22 otherwise provided by subsection F of this section, the State Board
23 of Equalization shall make a determination each year pursuant to
24 subsection B, subsection C and subsection D of this section until

1 such income tax rate equals three and twenty-five hundredths percent
2 (3.25%).

3 B. None of the decreases to the top marginal income tax rate
4 otherwise authorized by this section may occur unless the State
5 Board of Equalization makes a finding at the December 2014 meeting
6 and at each subsequent December meeting, as applicable, that the
7 total revenue collections from all sources certified by the State
8 Board of Equalization for the fiscal year ending on June 30
9 immediately preceding the December meeting are equal to or greater
10 than the total revenue collections from all sources certified by the
11 State Board of Equalization for the fiscal year ending June 30,
12 2013.

13 C. In addition to any other duties prescribed by law, at the
14 meeting required by paragraph 3 of Section 23 of Article X of the
15 Oklahoma Constitution to be held in December 2014, the State Board
16 of Equalization shall, in addition to the determination required by
17 subsection B of this section:

18 1. Determine the combined amount of revenue collected for the
19 fiscal year ending on June 30, 2013, from the taxes levied or
20 revenue apportioned pursuant to Section 1104 of Title 47 of the
21 Oklahoma Statutes, and Sections 1354 and 1402 of Title 68 of the
22 Oklahoma Statutes and subsection B of Section 2355 of Title 68 of
23 the Oklahoma Statutes and subsection D of Section 2355 of Title 68
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1 of the Oklahoma Statutes and apportioned to the General Revenue
2 Fund. Such amount shall be considered the initial base amount;

3 2. Determine the combined amount of increased revenue, if any,
4 collected from the taxes levied or revenue apportioned pursuant to
5 Section 1104 of Title 47 of the Oklahoma Statutes, and Sections 1354
6 and 1402 of Title 68 of the Oklahoma Statutes and subsection B of
7 Section 2355 of Title 68 of the Oklahoma Statutes and subsection D
8 of Section 2355 of Title 68 of the Oklahoma Statutes over and above
9 the initial base amount for the fiscal year ending June 30, 2014,
10 and apportioned to the General Revenue Fund;

11 3. If the amount determined pursuant to paragraph 2 of this
12 subsection is five percent (5%) or greater than the amount computed
13 in paragraph 1 of this subsection, and the required finding
14 described in subsection B of this section has been made, the Board
15 shall make a finding that the top marginal income tax rate levied
16 pursuant to the provisions of division (8) of subparagraphs a and b
17 of paragraph 1 of subsection B of Section 2355 of Title 68 of the
18 Oklahoma Statutes shall be decreased by twenty-five hundredths
19 (0.25) for the next tax year beginning on January 1; and

20 4. If the amount determined pursuant to paragraph 2 of this
21 subsection is less than five percent (5%), or the required finding
22 described in subsection B of this section has not been made, the
23 Board shall make a finding that the top marginal income tax rate
24 levied pursuant to the provisions of division (8) of subparagraphs a

1 and b of paragraph 1 of subsection B of Section 2355 of Title 68 of
2 the Oklahoma Statutes shall not change for the next tax year
3 beginning on January 1.

4 D. At the meeting required by paragraph 3 of Section 23 of
5 Article X of the Oklahoma Constitution to be held in December 2015
6 and, subject to the limitations imposed by subsection F of this
7 section, at any subsequent December meeting, the State Board of
8 Equalization shall, in addition to the determination required by
9 subsection B of this section:

10 1. Determine the combined amount of revenue collected from the
11 taxes levied or revenue apportioned pursuant to Section 1104 of
12 Title 47 of the Oklahoma Statutes, and Sections 1354 and 1402 of
13 Title 68 of the Oklahoma Statutes and subsection B of Section 2355
14 of Title 68 of the Oklahoma Statutes and subsection D of Section
15 2355 of Title 68 of the Oklahoma Statutes for the fiscal year ending
16 on the second June 30 date immediately preceding the December
17 meeting date and apportioned to the General Revenue Fund;

18 2. Determine the combined amount of increased revenue, if any,
19 collected from the taxes levied or revenue apportioned pursuant to
20 Section 1104 of Title 47 of the Oklahoma Statutes, and Sections 1354
21 and 1402 of Title 68 of the Oklahoma Statutes and subsection B of
22 Section 2355 of Title 68 of the Oklahoma Statutes and subsection D
23 of Section 2355 of Title 68 of the Oklahoma Statutes for the fiscal
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1 year ending on the June 30 date immediately preceding the December
2 meeting date and apportioned to the General Revenue Fund;

3 3. If the amount determined pursuant to paragraph 2 of this
4 subsection is five percent (5%) or greater than the amount computed
5 in paragraph 1 of this subsection, and the required finding
6 described in subsection B of this section has been made, the Board
7 shall make a finding that the top marginal income tax rate levied
8 pursuant to the provisions of division (8) of subparagraphs a and b
9 of paragraph 1 of subsection B of Section 2355 of Title 68 of the
10 Oklahoma Statutes shall be decreased by twenty-five hundredths
11 (0.25) for the next tax year beginning on January 1; and

12 4. If the amount determined pursuant to paragraph 2 of this
13 subsection is less than five percent (5%), or the required finding
14 described in subsection B of this section has not been made, the
15 Board shall make a finding that the income tax rate levied pursuant
16 to the provisions of division (8) of subparagraphs a and b of
17 paragraph 1 of subsection B of Section 2355 of Title 68 of the
18 Oklahoma Statutes shall not change.

19 E. Except as otherwise provided by subsection F of this
20 section, the procedures prescribed by this section shall be repeated
21 by the State Board of Equalization each year until the top marginal
22 income tax rate levied pursuant to division (8) of subparagraphs a
23 and b of paragraph 1 of subsection B of Section 2355 of Title 68 of
24 the Oklahoma Statutes equals three and twenty-five hundredths

1 percent (3.25%) using incremental decreases of twenty-five
2 hundredths (0.25) as otherwise prescribed by this section and by the
3 provisions of division (8) of subparagraphs a and b of paragraph 1
4 of subsection B of Section 2355 of Title 68 of the Oklahoma
5 Statutes.

6 F. The revenue comparisons required by this section shall be
7 made for a period of ten (10) years, beginning December 2014, and
8 ending December 2024, and if the top marginal income tax rate
9 prescribed by division (8) of subparagraphs a and b of paragraph 1
10 of subsection B of Section 2355 of Title 68 of the Oklahoma Statutes
11 has not been reduced to three and twenty-five hundredths percent
12 (3.25%), no further revenue comparisons shall be required to be
13 made.

14 SECTION 3. REPEALER 68 O.S. 2011, Section 2355.1A, is
15 hereby repealed.

16 SECTION 4. This act shall become effective January 1, 2014.

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18 54-1-5046 MAH 01/09/13
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