BILL SUMMARY
2nd Session of the 54th Legislature

Bill No.:	**HB 2871**
Version:	**CS**
Request Number:	**10238**
Author:	**Rep. Newell**
Date:	**3/3/2014**
Impact:	**Tax Commission:**
	Projected FY-15 Revenue Decrease:
	$6,784,000
	FY-16: $17,129,000

Research Analysis

HB2871 modifies the income tax bracket intervals for those married and filing a joint return. The measure makes the 4% and 5% bracket interval equal to double the 4% and 5% interval for single filers. The measure also deletes language that would have reduced the top marginal income tax bracket to 5% in tax year 2015 and 4.85% in tax year 2016 because the provision was ruled constitutional by the Oklahoma Supreme Court.

Prepared By: Quyen Do

Fiscal Analysis

HB 2871 proposes to adjust the married filing joint income tax bracket at the 4% and 5% interval to eliminate the bracket related marriage penalty.

Section 1 (68 O.S. § 2355) strikes language that was codified in HB 2032[1], language that the Oklahoma Supreme Court ruled unconstitutional in *Fent v. Fallin (*2013 OK 107, __ P.3d __).

Section 2 - Amends 68 O.S. § 2355 adjusting the married filing joint income tax bracket at the 4% and 5% interval are to eliminate the bracket related marriage penalty.

Section 1 will not change revenue collections.

Section 2 - Under current law, Oklahoma has a progressive individual income tax rate structure with the top marginal tax rate at 5.25%. The income levels at the 4% and 5% brackets intervals for married filing joint returns are not two times the single bracket intervals, thereby creating a bracket related marriage penalty. This proposal would eliminate the bracket related marriage penalty by adjusting the 4% and 5% bracket for tax year 2015 and all subsequent tax years.

The table below shows the estimated effect of eliminating the bracket related marriage penalty by adjusting the 4% and 5% bracket for tax year 2015 and all subsequent tax years.

FY EFFECT INCOME TAX (Change brackets to eliminate marriage penalty)			
	Fiscal Impact		
Tax year 2015	$(16,960,000)		
Tax year 2016	$(17,382,000)		
FY CONVERSION		FY15	FY16
Tax year 2015	$(16,960,000)	$(6,784,000)	$(10,176,000)
Tax year 2016	$(17,382,000)		$(6,953,000)
	FY TOTAL	$(6,784,000)	$ (17,129,000)
Source: Oklahoma Individual Income Tax Micro-Simulation Model.			

Prepared By: Mark Tygret

Other Considerations

None.

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