

STATE OF OKLAHOMA

2nd Session of the 54th Legislature (2014)

SUBCOMMITTEE RECOMMENDATION
FOR

HOUSE BILL NO. 2508

By: Sears

SUBCOMMITTEE RECOMMENDATION

[revenue and taxation - income tax - rates -
effective date]

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

SECTION 1. AMENDATORY 68 O.S. 2011, Section 2355, as
amended by Section 2, Chapter 253, O.S.L. 2013 (68 O.S. Supp. 2013,
Section 2355), is amended to read as follows:

Section 2355. A. Individuals. For all taxable years beginning
after December 31, 1998~~7~~, 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. 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, and before January 1, 2002, 6.75% tax on the remainder,
- (b) for taxable years beginning on or after January 1, 2002, and before January 1, 2004, 7% tax on the remainder, and
- (c) for taxable years beginning on or after January 1, 2004, 6.65% 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 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, and before January 1, 2002, 6.75% tax on the remainder,
- (b) for taxable years beginning on or after January 1, 2002, and before January 1, 2004, 7% tax on the remainder, and
- (c) for taxable years beginning on or after January 1, 2004, 6.65% tax on the remainder.

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

1 (11) 10% tax on the remainder.

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 deducting federal income tax:

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

9 (2) 1% tax on the next \$3,000.00 or part thereof,

10 (3) 2% tax on the next \$2,500.00 or part thereof,

11 (4) 3% tax on the next \$1,400.00 or part thereof,

12 (5) 4% tax on the next \$1,500.00 or part thereof,

13 (6) 5% tax on the next \$1,600.00 or part thereof,

14 (7) 6% tax on the next \$1,250.00 or part thereof,

15 (8) 7% tax on the next \$1,750.00 or part thereof,

16 (9) 8% tax on the next \$3,000.00 or part thereof,

17 (10) 9% tax on the next \$6,000.00 or part thereof, and

18 (11) 10% tax on the remainder.

19 B. Individuals. For all taxable years beginning on or after
20 January 1, 2008, ~~and ending not later than December 31, 2014,~~ a tax
21 is hereby imposed upon the Oklahoma taxable income of every resident
22 or nonresident individual, which tax shall be computed as follows:

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

- (a) 1/2% tax on first \$1,000.00 or part thereof,
- (b) 1% tax on next \$1,500.00 or part thereof,
- (c) 2% tax on next \$1,250.00 or part thereof,
- (d) 3% tax on next \$1,150.00 or part thereof,
- (e) 4% tax on next \$2,300.00 or part thereof,
- (f) 5% tax on next \$1,500.00 or part thereof,
- (g) 5.50% tax on the remainder for the 2008 tax year and any subsequent tax year unless the rate prescribed by subparagraph (h) of this paragraph is in effect, and
- (h) 5.25% tax on the remainder for the 2009 and subsequent tax years. The decrease in the top marginal individual income tax rate otherwise authorized by this subparagraph shall be contingent upon the determination required to be made by the State Board of Equalization pursuant to Section 2355.1A of this title.

2. 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:

- (a) 1/2% tax on first \$2,000.00 or part thereof,
- (b) 1% tax on next \$3,000.00 or part thereof,
- (c) 2% tax on next \$2,500.00 or part thereof,

- (d) 3% tax on next \$2,300.00 or part thereof,
- (e) 4% tax on next \$2,400.00 or part thereof,
- (f) 5% tax on next \$2,800.00 or part thereof,
- (g) 5.50% tax on the remainder for the 2008 tax year and any subsequent tax year unless the rate prescribed by subparagraph (h) of this paragraph is in effect, and
- (h) 5.25% tax on the remainder for the 2009 and subsequent tax years. The decrease in the top marginal individual income tax rate otherwise authorized by this subparagraph shall be contingent upon the determination required to be made by the State Board of Equalization pursuant to Section 2355.1A of this title.

~~C. Individuals. For all taxable years beginning on or after January 1, 2015, a tax is hereby imposed upon the Oklahoma taxable income of every resident or nonresident individual, which tax shall be computed as follows:~~

~~1. Single individuals and married individuals filing separately:~~

- ~~(a) 1/2% tax on first \$1,000.00 or part thereof,~~
- ~~(b) 1% tax on next \$1,500.00 or part thereof,~~
- ~~(c) 2% tax on next \$1,250.00 or part thereof,~~
- ~~(d) 3% tax on next \$1,150.00 or part thereof,~~
- ~~(e) 4% tax on next \$2,300.00 or part thereof,~~

~~(f) 5% tax on the remainder for the 2015 tax year and any subsequent tax year unless the rate prescribed by subparagraph (g) of this paragraph is in effect, and~~
~~(g) 4.85% tax on the remainder for tax year 2016 and subsequent tax years. The decrease in the top marginal individual income tax rate otherwise authorized by this subparagraph shall be contingent upon the determination required to be made by the State Board of Equalization pursuant to Section 3 of this act.~~

~~2. 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:~~

- ~~(a) 1/2% tax on first \$2,000.00 or part thereof,~~
- ~~(b) 1% tax on next \$3,000.00 or part thereof,~~
- ~~(c) 2% tax on next \$2,500.00 or part thereof,~~
- ~~(d) 3% tax on next \$2,300.00 or part thereof,~~
- ~~(e) 4% tax on next \$2,400.00 or part thereof,~~
- ~~(f) 5% tax on the remainder for the 2015 tax year and any subsequent tax year unless the rate prescribed by subparagraph (g) of this paragraph is in effect, and~~

~~(g) 4.85% tax on the remainder for tax year 2016 and subsequent tax years. The decrease in the top marginal individual income tax rate otherwise authorized by this subparagraph shall be contingent upon the determination required to be made by the State Board of Equalization pursuant to Section 3 of this act.~~

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

~~D.~~ C. 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 Tax Commission, and shall file a return with each such payment. Such return shall be in such form as the Tax Commission shall

1 prescribe. Every payer required under this subsection to deduct and
2 withhold a tax from a payee shall, as to the total amounts paid to
3 each payee during the calendar year, furnish to such payee, on or
4 before January 31, of the succeeding year, a written statement
5 showing the name of the payer, the name of the payee and the payee's
6 social security account number, if any, the total amount paid
7 subject to taxation, and the total amount deducted and withheld as
8 tax and such other information as the Tax Commission may require.
9 Any payer who fails to withhold or pay to the Tax Commission any
10 sums herein required to be withheld or paid shall be personally and
11 individually liable therefor to the State of Oklahoma.

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

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

21 ~~F.~~ E. Certain foreign corporations. In lieu of the tax imposed
22 in the first paragraph of subsection ~~D~~ C of this section, for all
23 taxable years beginning after December 31, 1989, there shall be
24 imposed on foreign corporations, as defined in the Internal Revenue

1 Code, a tax of six percent (6%) instead of thirty percent (30%) as
2 used in the Internal Revenue Code, where such income is received
3 from sources within Oklahoma, in accordance with the provisions of
4 the Internal Revenue Code and the Oklahoma Income Tax Act.

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

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

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

20 SECTION 2. AMENDATORY 68 O.S. 2011, Section 2355, as
21 last amended by Section 1 of this act, is amended to read as
22 follows:

23 Section 2355. A. Individuals. For all taxable years beginning
24 after December 31, 1998, and before January 1, 2006, a tax is hereby

1 imposed upon the Oklahoma taxable income of every resident or
2 nonresident individual, which tax shall be computed at the option of
3 the taxpayer under one of the two following methods:

4 1. METHOD 1.

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

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

8 (2) 1% tax on next \$1,500.00 or part thereof,

9 (3) 2% tax on next \$1,250.00 or part thereof,

10 (4) 3% tax on next \$1,150.00 or part thereof,

11 (5) 4% tax on next \$1,300.00 or part thereof,

12 (6) 5% tax on next \$1,500.00 or part thereof,

13 (7) 6% tax on next \$2,300.00 or part thereof, and

14 (8) (a) for taxable years beginning after December
15 31, 1998, and before January 1, 2002, 6.75%
16 tax on the remainder,

17 (b) for taxable years beginning on or after
18 January 1, 2002, and before January 1, 2004,
19 7% tax on the remainder, and

20 (c) for taxable years beginning on or after
21 January 1, 2004, 6.65% 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 not deducting federal income tax:

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,

9 (6) 5% tax on next \$2,800.00 or part thereof,

10 (7) 6% tax on next \$6,000.00 or part thereof, and

11 (8) (a) for taxable years beginning after December

12 31, 1998, and before January 1, 2002, 6.75%

13 tax on the remainder,

14 (b) for taxable years beginning on or after

15 January 1, 2002, and before January 1, 2004,

16 7% tax on the remainder, and

17 (c) for taxable years beginning on or after

18 January 1, 2004, 6.65% tax on the remainder.

19 2. METHOD 2.

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

22 (1) 1/2% tax on first \$1,000.00 or part thereof,

23 (2) 1% tax on next \$1,500.00 or part thereof,

24 (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

1 (11) 10% tax on the remainder.

2 B. Individuals. For all taxable years beginning on or after
3 January 1, ~~2008~~ 2016, a tax is hereby imposed upon the Oklahoma
4 taxable income of every resident or nonresident individual, which
5 tax shall be computed as follows:

6 1. Single individuals and married individuals filing
7 separately:

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

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

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

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

12 (e) 4% tax on next \$2,300.00 or part thereof, and

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

14 ~~(g) 5.50% tax on the remainder for the 2008 tax year and~~
15 ~~any subsequent tax year unless the rate prescribed by~~

16 ~~subparagraph (h) of this paragraph is in effect, and~~

17 ~~(h) 5.25% tax on the remainder for the 2009 and subsequent~~

18 ~~tax years. The decrease in the top marginal~~

19 ~~individual income tax rate otherwise authorized by~~

20 ~~this subparagraph shall be contingent upon the~~

21 ~~determination required to be made by the State Board~~

22 ~~of Equalization pursuant to Section 2355.1A of this~~

23 ~~title.~~
24

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

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

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

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

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

10 (e) 4% tax on next \$2,400.00 or part thereof, and

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

12 ~~(g) 5.50% tax on the remainder for the 2008 tax year and~~

13 ~~any subsequent tax year unless the rate prescribed by~~

14 ~~subparagraph (h) of this paragraph is in effect, and~~

15 ~~(h) 5.25% tax on the remainder for the 2009 and subsequent~~

16 ~~tax years. The decrease in the top marginal~~

17 ~~individual income tax rate otherwise authorized by~~

18 ~~this subparagraph shall be contingent upon the~~

19 ~~determination required to be made by the State Board~~

20 ~~of Equalization pursuant to Section 2355.1A of this~~

21 ~~title.~~

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

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

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

1 sums herein required to be withheld or paid shall be personally and
2 individually liable therefor to the State of Oklahoma.

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

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

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

20 Every payer of amounts covered by this subsection shall deduct
21 and withhold from such amounts paid each payee an amount equal to
22 six percent (6%) thereof. Every payer required to deduct and
23 withhold taxes under this subsection shall for each quarterly period
24 on or before the last day of the month following the close of each

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

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

20 G. Tax rate tables. For all taxable years beginning after
21 December 31, 1991, in lieu of the tax imposed by subsection A or B
22 of this section, as applicable there is hereby imposed for each
23 taxable year on the taxable income of every individual, whose
24 taxable income for such taxable year does not exceed the ceiling

1 amount, a tax determined under tables, applicable to such taxable
2 year which shall be prescribed by the Tax Commission and which shall
3 be in such form as it determines appropriate. In the table so
4 prescribed, the amounts of the tax shall be computed on the basis of
5 the rates prescribed by subsections A and B of this section. For
6 purposes of this subsection, the term "ceiling amount" means, with
7 respect to any taxpayer, the amount determined by the Tax Commission
8 for the tax rate category in which such taxpayer falls.

9 SECTION 3. REPEALER Section 3, Chapter 253, O.S.L. 2013
10 (68 O.S. Supp. 2013, Section 2355.1E), is hereby repealed.

11 SECTION 4. This act shall become effective January 1, 2016.
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13 54-2-9984 JM 02/11/14
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