BILL SUMMARY
2nd Session of the 54th Legislature

Bill No.:	**HB 2508**
Version:	**INT**
Request Number:	**8264**
Author:	**Rep. Sears**
Date:	**2/10/2014**
Impact:	**Tax Commission:**
	Income Tax Revenue Decrease:
	FY-16 - $57.0 Million
	FY-17 - $147.0 Million

Research Analysis

Introduced HB2508 reduces the top marginal individual income tax rate to 5 percent beginning tax year 2016. The measure also strikes language codified by HB2032 (2013) which was ruled unconstitutional by the Oklahoma Supreme Court.

Prepared By: Quyen Do

Fiscal Analysis

HB 2508 proposes to maintain the top marginal individual income tax rate of 5.25% through 2015 and reduce the top marginal individual income tax rate to 5.0% for tax year 2016 and subsequent tax years.

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 by maintaining the top marginal individual income tax rate of 5.25% through tax year 2015 and reducing the top marginal individual income tax rate to 5.0% for tax year 2016 and subsequent tax years.

Section 3 (68 O.S. § 2355.1E) repeals 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 __).

Revenue Impact:

Sections 1 and 3 will not change revenue collections.

Sections 2 - Under current law, Oklahoma has a progressive individual income tax rate structure with the top marginal tax rate at 5.25%. This proposal would provide for a top marginal tax rate of 5.0% for tax year 2016 and all subsequent tax years.

The table below shows the estimated effect of the top rate decreasing to 5.0% for tax year 2016 and all subsequent tax years.

FY EFFECT INCOME TAX TOP RATE CHANGE (top rate 5.0% in 2016 & subsequent years)

	Fiscal Impact
Tax year 2016	$(142,620,000)
Tax year 2017	$(153,557,000)

FY CONVERSION		FY16	FY17
Tax Year 2016	$(142,620,000)	$(57,048,000)	$(85,572,000)
Tax Year 2017	$(153,557,000)		$ (61,423,000)
FY TOTAL		$(57,048,000)	$ (146,995,000)

Source: Oklahoma Individual Income Tax Micro-Simulation Model.

[1] Oklahoma Session Laws - 2013 Section 253 - [HB 2032]

Prepared By: Mark Tygret

Other Considerations

None.