

STATE OF OKLAHOMA

1st Session of the 55th Legislature (2015)

SENATE BILL 464

By: Loveless

AS INTRODUCED

An Act relating to income tax; amending 68 O.S. 2011, Section 2355, as last amended by Section 2, Chapter 195, O.S.L. 2014 (68 O.S. Supp. 2014, Section 2355), which relates to tax rates; deleting reference to certain determinations by State Board of Equalization; deleting obsolete references; updating references; providing for specified change in top marginal rate under specified circumstances and contingent upon certain determination by State Board of Equalization; providing for elimination of certain bracket under specified circumstances; imposing specified duties on State Board of Equalization related to implementation of certain changes in top marginal tax rate for specified time periods; prescribing method of computation; mandating certain actions under specified circumstances; providing for codification; and providing an effective date.

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

SECTION 1. AMENDATORY 68 O.S. 2011, Section 2355, as last amended by Section 2, Chapter 195, O.S.L. 2014 (68 O.S. Supp. 2014, Section 2355), is amended to read as follows:

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

1 nonresident individual, which tax shall be computed at the option of
2 the taxpayer under one of the two following methods:

3 1. METHOD 1.

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

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

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

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

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

10 (5) 4% tax on next \$1,300.00 or part thereof,

11 (6) 5% tax on next \$1,500.00 or part thereof,

12 (7) 6% tax on next \$2,300.00 or part thereof, and

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

14 31, 1998, and before January 1, 2002, 6.75%

15 tax on the remainder,

16 (b) for taxable years beginning on or after

17 January 1, 2002, and before January 1, 2004,

18 7% tax on the remainder, and

19 (c) for taxable years beginning on or after

20 January 1, 2004, 6.65% 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

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
- (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
- (11) 10% tax on the remainder.

1 B. Individuals. For all taxable years beginning on or after
2 January 1, 2008, and ending any tax year which begins after December
3 31, 2015, ~~for which the determination required pursuant to Sections~~
4 ~~4 and 5 of this act is made by the State Board of Equalization,~~ a
5 tax is hereby imposed upon the Oklahoma taxable income of every
6 resident or nonresident individual, which tax shall be computed as
7 follows:

8 1. Single individuals and married individuals filing
9 separately:

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

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

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

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

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

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

16 (g) 5.50% tax on the remainder for the 2008 ~~tax year and~~
17 ~~any subsequent tax year unless the rate prescribed by~~
18 ~~subparagraph (h) of this paragraph is in effect~~
19 through 2012 tax years, and

20 (h) 5.25% tax on the remainder for the 2009 ~~and subsequent~~
21 ~~tax years. The decrease in the top marginal~~
22 ~~individual income tax rate otherwise authorized by~~
23 ~~this subparagraph shall be contingent upon the~~
24 ~~determination required to be made by the State Board~~

1 ~~of Equalization pursuant to Section 2355.1A of this~~
2 ~~title 2013 through 2015 tax years.~~

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

- 8 (a) 1/2% tax on first \$2,000.00 or part thereof,
9 (b) 1% tax on next \$3,000.00 or part thereof,
10 (c) 2% tax on next \$2,500.00 or part thereof,
11 (d) 3% tax on next \$2,300.00 or part thereof,
12 (e) 4% tax on next \$2,400.00 or part thereof,
13 (f) 5% tax on next \$2,800.00 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~~
17 ~~through 2012 tax years, and~~
18 (h) 5.25% tax on the remainder for the 2009 ~~and subsequent~~
19 ~~tax years. The decrease in the top marginal~~
20 ~~individual income tax rate otherwise authorized by~~
21 ~~this subparagraph shall be contingent upon the~~
22 ~~determination required to be made by the State Board~~
23 ~~of Equalization pursuant to Section 2355.1A of this~~
24 ~~title 2013 through 2015 tax years.~~

1 C. Individuals. For all taxable years beginning on or after
2 January 1, 2016, and for which the determination required pursuant
3 to ~~Sections 4 and 5 of this act~~ Section 2355.1G of this title and
4 Section 2 of this act is made by the State Board of Equalization, a
5 tax is hereby imposed upon the Oklahoma taxable income of every
6 resident or nonresident individual, which tax shall be computed as
7 follows:

8 1. Single individuals and married individuals filing
9 separately:

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

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

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

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

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

15 (f) 5% tax on the remainder if the State Board of
16 Equalization ~~makes~~ has not made a determination
17 pursuant to ~~Section 4 of this act or four and eighty-~~
18 ~~five hundredths (4.85%)~~ Section 2355.1G of this title;
19 or

20 (g) 4.85% tax on the remainder if the State Board of
21 Equalization makes a determination pursuant to ~~Section~~
22 ~~5 of this act~~ Section 2355.1G of this title; or

23 (h) beginning on the January 1 which immediately follows
24 the first full taxable year in which the rate of 4.85%

1 has been in place, if the State Board of Equalization
2 makes a determination pursuant to Section 2 of this
3 act, the tax on the remainder shall be modified by
4 subtracting thirty-five hundredths percent (0.35%)
5 from the top marginal percentage tax rate levied
6 during the previous tax year until the rate reaches
7 zero (0). In any year when such modification would
8 result in a top marginal rate which will be less than
9 the next highest bracket, as provided in subparagraphs
10 (a) through (e) of this paragraph, such bracket shall
11 be eliminated.

12 2. Married individuals filing jointly and surviving spouse to
13 the extent and in the manner that a surviving spouse is permitted to
14 file a joint return under the provisions of the Internal Revenue
15 Code and heads of households as defined in the Internal Revenue
16 Code:

- 17 (a) 1/2% tax on first \$2,000.00 or part thereof,
- 18 (b) 1% tax on next \$3,000.00 or part thereof,
- 19 (c) 2% tax on next \$2,500.00 or part thereof,
- 20 (d) 3% tax on next \$2,300.00 or part thereof,
- 21 (e) 4% tax on next \$2,400.00 or part thereof,
- 22 (f) 5% tax on the remainder if the State Board of
23 Equalization ~~makes~~ has not made a determination
24 pursuant to ~~Section 4 of this act or four and eighty-~~

~~five hundredths percent (4.85%)~~ Section 2355.1G of this title; or

(g) 4.85% tax on the remainder if the State Board of Equalization makes a determination pursuant to ~~Section 5 of this act~~ Section 2355.1G of this title; or

(h) beginning on the January 1 which immediately follows the first full taxable year in which the rate of 4.85% has been in place, if the State Board of Equalization makes a determination pursuant to Section 2 of this act, the tax on the remainder shall be modified annually by subtracting thirty-five hundredths percent (0.35%) from the top marginal percentage tax rate levied during the previous tax year until the rate reaches zero (0). In any year when such modification would result in a top marginal rate which will be less than the next highest bracket, as provided in subparagraphs (a) through (e) of this paragraph, such bracket shall be eliminated.

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

D. 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

1 Code, with respect to the Oklahoma taxable income of such
2 nonresident aliens as determined under the provision of the Oklahoma
3 Income Tax Act.

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

23 E. Corporations. For all taxable years beginning after
24 December 31, 1989, a tax is hereby imposed upon the Oklahoma taxable

1 income of every corporation doing business within this state or
2 deriving income from sources within this state in an amount equal to
3 six percent (6%) thereof.

4 There shall be no additional Oklahoma income tax imposed on
5 accumulated taxable income or on undistributed personal holding
6 company income as those terms are defined in the Internal Revenue
7 Code.

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

16 Every payer of amounts covered by this subsection shall deduct
17 and withhold from such amounts paid each payee an amount equal to
18 six percent (6%) thereof. Every payer required to deduct and
19 withhold taxes under this subsection shall for each quarterly period
20 on or before the last day of the month following the close of each
21 such quarterly period, pay over the amount so withheld as taxes to
22 the Tax Commission, and shall file a return with each such payment.
23 Such return shall be in such form as the Tax Commission shall
24 prescribe. Every payer required under this subsection to deduct and

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

11 G. Fiduciaries. A tax is hereby imposed upon the Oklahoma
12 taxable income of every trust and estate at the same rates as are
13 provided in subsection B or C of this section for single
14 individuals. Fiduciaries are not allowed a deduction for any
15 federal income tax paid.

16 H. Tax rate tables. For all taxable years beginning after
17 December 31, 1991, in lieu of the tax imposed by subsection A, B or
18 C of this section, as applicable there is hereby imposed for each
19 taxable year on the taxable income of every individual, whose
20 taxable income for such taxable year does not exceed the ceiling
21 amount, a tax determined under tables, applicable to such taxable
22 year which shall be prescribed by the Tax Commission and which shall
23 be in such form as it determines appropriate. In the table so
24 prescribed, the amounts of the tax shall be computed on the basis of

1 the rates prescribed by subsection A, B or C of this section. For
2 purposes of this subsection, the term "ceiling amount" means, with
3 respect to any taxpayer, the amount determined by the Tax Commission
4 for the tax rate category in which such taxpayer falls.

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

8 A. The provisions of this section shall be applicable with
9 respect to the implementation of the reduction of the top marginal
10 rate of individual income tax otherwise authorized pursuant to the
11 provisions of subparagraph (h) of paragraphs 1 and 2 of subsection C
12 of Section 2355 of Title 68 of the Oklahoma Statutes, which shall be
13 contingent upon a determination by the State Board of Equalization
14 made by a comparison of the revenue computations described by this
15 section which shall be conducted annually to determine if the top
16 marginal rate may be reduced by thirty-five hundredths percent
17 (0.35%) for a given year and the number of times necessary until the
18 income tax rate of zero percent (0%) is effective and no income tax
19 is levied.

20 B. In addition to any other duties prescribed by law, at the
21 meeting required by paragraph 1 of Section 23 of Article X of the
22 Oklahoma Constitution to be held in December of the year in which
23 the four and eighty-five hundredths percent (4.85%) top marginal
24 income tax rate prescribed by subparagraph (f) of paragraphs 1 and 2

1 of subsection C of Section 2355 of Title 68 of the Oklahoma Statutes
2 becomes effective, and for any subsequent December meeting of the
3 State Board of Equalization, the State Board shall determine:

4 1. The amount of estimated revenue growth in the General
5 Revenue Fund of the State Treasury for the fiscal year beginning on
6 the next ensuing July 1;

7 2. The amount by which the income tax revenue for the tax year
8 which will begin on the January 1 following the December meeting is
9 estimated to be reduced by subtracting thirty-five hundredths
10 percent (0.35%) from the top marginal income tax rate; and

11 3. If the amount determined pursuant to the provisions of
12 paragraph 1 of this subsection is equal to or greater than the
13 amount determined pursuant to the provisions of paragraph 2 of this
14 subsection, the Board shall make a finding that the revenue
15 computations required by this section will authorize the
16 implementation of a reduction in the top marginal rate by
17 subtracting thirty-five hundredths percent (0.35%) from the
18 percentage top marginal rate in place for the previous tax year,
19 pursuant to subparagraph (f) of paragraphs 1 and 2 of subsection C
20 of Section 2355 of Title 68 of the Oklahoma Statutes beginning on
21 the January 1 immediately following the December meeting.

22 If the amount determined pursuant to the provisions of paragraph
23 1 of this subsection is less than the amount determined pursuant to
24 the provisions of paragraph 2 of this subsection, the Board shall

1 make a finding that the revenue computations required by this
2 section do not authorize the implementation of a reduction for the
3 year beginning on the January 1 immediately following the December
4 meeting; provided, the computation required by this section shall be
5 repeated each year regarding successive reductions in the top
6 marginal rate until a rate of zero percent (0%) is effective and no
7 income tax is levied.

8 SECTION 3. This act shall become effective January 1, 2016.

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