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February 22, 2017

AS AMENDED

SENATE BILL NO. 130

By: Quinn

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[ income tax - State Board of Equalization - repealer
- codification - noncodification - effective date ]
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BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

SECTION 1. NEW LAW A new section of law not to be
codified in the Oklahoma Statutes reads as follows:

Actions taken by the State Board of Equalization with respect to the provisions of Section 2355.1G of Title 68 of the Oklahoma Statutes are hereby declared null and void.

SECTION 2. AMENDATORY 68 O.S. 2011, Section 2355, as last amended by Section 2, Chapter 195, O.S.L. 2014 (68 O.S. Supp. 2016, 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 nonresident individual, which tax shall be computed at the option of the taxpayer under one of the two following methods:

1. METHOD 1.

- 1 a. Single individuals and married individuals filing
2 separately not deducting federal income tax:
- 3 (1) 1/2% tax on first \$1,000.00 or part thereof,
4 (2) 1% tax on next \$1,500.00 or part thereof,
5 (3) 2% tax on next \$1,250.00 or part thereof,
6 (4) 3% tax on next \$1,150.00 or part thereof,
7 (5) 4% tax on next \$1,300.00 or part thereof,
8 (6) 5% tax on next \$1,500.00 or part thereof,
9 (7) 6% tax on next \$2,300.00 or part thereof, and
10 (8) (a) for taxable years beginning after December
11 31, 1998, and before January 1, 2002, 6.75%
12 tax on the remainder,
13 (b) for taxable years beginning on or after
14 January 1, 2002, and before January 1, 2004,
15 7% tax on the remainder, and
16 (c) for taxable years beginning on or after
17 January 1, 2004, 6.65% tax on the remainder.
- 18 b. Married individuals filing jointly and surviving
19 spouse to the extent and in the manner that a
20 surviving spouse is permitted to file a joint return
21 under the provisions of the Internal Revenue Code and
22 heads of households as defined in the Internal Revenue
23 Code not deducting federal income tax:
- 24 (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,

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

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

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

22 B. Individuals. For all taxable years beginning on or after
23 January 1, 2008, and ending any tax year which begins after December
24 31, 2015, ~~for which the determination required pursuant to Sections~~

1 ~~4 and 5 of this act is made by the State Board of Equalization,~~ a
2 tax is hereby imposed upon the Oklahoma taxable income of every
3 resident or nonresident individual, which tax shall be computed as
4 follows:

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

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

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

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

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

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

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

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

14 any subsequent tax year unless the rate prescribed by

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

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

17 tax years. The decrease in the top marginal

18 individual income tax rate otherwise authorized by

19 this subparagraph shall be contingent upon the

20 determination required to be made by the State Board

21 of Equalization pursuant to Section 2355.1A of this

22 title.

23 2. Married individuals filing jointly and surviving spouse to
24 the extent and in the manner that a surviving spouse is permitted to

1 file a joint return under the provisions of the Internal Revenue
2 Code and heads of households as defined in the Internal Revenue
3 Code:

- 4 (a) 1/2% tax on first \$2,000.00 or part thereof,
- 5 (b) 1% tax on next \$3,000.00 or part thereof,
- 6 (c) 2% tax on next \$2,500.00 or part thereof,
- 7 (d) 3% tax on next \$2,300.00 or part thereof,
- 8 (e) 4% tax on next \$2,400.00 or part thereof,
- 9 (f) 5% tax on next \$2,800.00 or part thereof,
- 10 (g) 5.50% tax on the remainder for the 2008 tax year and
11 any subsequent tax year unless the rate prescribed by
12 subparagraph (h) of this paragraph is in effect, and
13 (h) 5.25% tax on the remainder for the 2009 and subsequent
14 tax years. The decrease in the top marginal
15 individual income tax rate otherwise authorized by
16 this subparagraph shall be contingent upon the
17 determination required to be made by the State Board
18 of Equalization pursuant to Section 2355.1A of this
19 title.

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

3 1. Single individuals and married individuals filing
4 separately:

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

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

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

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

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

10 (f) 5% tax on the remainder ~~if the State Board of~~

11 ~~Equalization makes a determination pursuant to Section~~
12 ~~4 of this act~~ or four and eighty-five hundredths

13 (4.85%) tax on the remainder if the State Board of

14 Equalization makes a determination pursuant to Section

15 ~~5~~ 3 of this act.

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

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

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

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

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

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

2 (f) 5% tax on the remainder ~~if the State Board of~~
3 ~~Equalization makes a determination pursuant to Section~~
4 ~~4 of this act~~ or four and eighty-five hundredths
5 percent (4.85%) tax on the remainder if the State
6 Board of Equalization makes a determination pursuant
7 to Section ~~5~~ 3 of this act.

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

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

17 Every payer of amounts covered by this subsection shall deduct
18 and withhold from such amounts paid each payee an amount equal to
19 eight percent (8%) thereof. Every payer required to deduct and
20 withhold taxes under this subsection shall for each quarterly period
21 on or before the last day of the month following the close of each
22 such quarterly period, pay over the amount so withheld as taxes to
23 the Tax Commission, and shall file a return with each such payment.
24 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~~7~~, 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 E. 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. Certain foreign corporations. In lieu of the tax imposed in
22 the first paragraph of subsection D of this section, for all taxable
23 years beginning after December 31, 1989, there shall be imposed on
24 foreign corporations, as defined in the Internal Revenue Code, a tax

1 of six percent (6%) instead of thirty percent (30%) as used in the
2 Internal Revenue Code, where such income is received from sources
3 within Oklahoma, in accordance with the provisions of the Internal
4 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 31st 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. 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. Tax rate tables. For all taxable years beginning after
7 December 31, 1991, in lieu of the tax imposed by subsection A, B or
8 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 A, B or C of this section. For
16 purposes of this subsection, the term "ceiling amount" means, with
17 respect to any taxpayer, the amount determined by the Tax Commission
18 for the tax rate category in which such taxpayer falls.

19 SECTION 3. NEW LAW A new section of law to be codified
20 in the Oklahoma Statutes as Section 2355.1H of Title 68, unless
21 there is created a duplication in numbering, reads as follows:

22 A. As used in this section:

23 1. "Estimated cost of the rate reduction" means the amount by
24 which the income tax revenue for the applicable tax year is

1 estimated to be reduced by a fifteen hundredths percent (.15%)
2 decrease in the top marginal income tax rate;

3 2. "Rate reduction" shall mean the implementation of the four
4 and eighty-five hundredths percent (4.85%) top marginal rate of
5 individual income tax otherwise authorized pursuant to the
6 provisions of subparagraph (f) of paragraphs 1 and 2 of subsection C
7 of Section 2355 of Title 68 of the Oklahoma Statutes; and

8 3. "Proposed expenditure authority" shall represent the total
9 amount determined by the State Board of Equalization as available
10 for the Legislature to spend in a given fiscal year, including:

11 a. estimated amounts from certified funds subject to the
12 ninety-five percent (95%) limit provided for in
13 Section 23 of Article X of the Oklahoma Constitution
14 and cash available in those funds from any prior
15 years, and

16 b. estimated amounts from the Special Cash Fund,
17 Commissioners of the Land Office Fund, Oklahoma
18 Education Lottery Trust Fund, Common Education
19 Technology Revolving Fund, Oklahoma Student Aid
20 Revolving Fund, Higher Education Capital Revolving
21 Fund, Education Reform Revolving Fund, Tobacco
22 Settlement Fund, State Judicial Revolving Fund and
23 State Transportation Fund and cash available in those
24 funds from any prior years.

1 B. The provisions of this section shall be applicable with
2 respect to the implementation of the rate reduction, which shall be
3 contingent upon a determination by the State Board of Equalization
4 described by this section to be conducted until the income tax rate
5 of four and eighty-five hundredths percent (4.85%) is effective.

6 C. In addition to any other duties prescribed by law, at the
7 meeting required by paragraph 1 of Section 23 of Article X of the
8 Oklahoma Constitution to be held in December of 2017, and for any
9 subsequent December meeting of the State Board of Equalization if
10 the rate reduction has not become effective, the Board shall
11 determine if the amount of the proposed expenditure authority for
12 the fiscal year beginning on the next ensuing July 1 is equal to or
13 greater than the threshold amount of Seven Billion Five Hundred
14 Million Dollars (\$7,500,000,000.00) plus the estimated cost of the
15 rate reduction for the tax year which will begin on the second
16 January 1 following the December meeting.

17 If the amount of the proposed expenditure authority for the
18 fiscal year beginning on the next ensuing July 1 is equal to or
19 greater than the threshold amount, the Board shall make a
20 preliminary finding that a determination will be made at the next
21 ensuing February meeting that the proposed expenditure authority
22 will be greater than or equal to the threshold amount required by
23 this section and the rate reduction for the tax year beginning on
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1 the second January 1 following the December meeting will be
2 implemented.

3 If the amount of the proposed expenditure authority for the
4 fiscal year beginning on the next ensuing July 1 is less than the
5 threshold amount, the Board shall make a preliminary finding that a
6 determination will be made at the next ensuing February meeting that
7 the proposed expenditure authority will be less than the threshold
8 amount required by this section and the rate reduction for the tax
9 year beginning on the second January 1 following the December
10 meeting will not be implemented.

11 D. In addition to any other duties prescribed by law, at the
12 meeting required by paragraph 3 of Section 23 of Article X of the
13 Oklahoma Constitution to be held in February of 2018, and for any
14 subsequent February meeting of the State Board of Equalization, if
15 the rate reduction has not become effective, the Board shall
16 determine if the amount of the proposed expenditure authority for
17 the fiscal year beginning on the next ensuing July 1 is equal to or
18 greater than the threshold amount of Seven Billion Five Hundred
19 Million Dollars (\$7,500,000,000.00) plus the estimated cost of the
20 rate reduction for the tax year which will begin on the January 1
21 immediately following the February meeting.

22 If the amount of the proposed expenditure authority for the
23 fiscal year beginning on the next ensuing July 1 is equal to or
24 greater than the threshold amount, the Board shall make a

determination that the proposed expenditure authority will be equal to or greater than the threshold amount required by this section and will authorize the implementation of the rate reduction for the tax year beginning on the January 1 immediately following the February meeting. The Board shall also recertify the proposed expenditure authority accordingly to reflect the estimated loss of revenue.

If the amount of the proposed expenditure authority for the fiscal year beginning on the next ensuing July 1 is less than the threshold amount, the Board shall make a determination that the proposed expenditure authority will be less than the threshold amount required by this section and will not authorize the rate reduction for the tax year beginning on the January 1 immediately following the February meeting.

E. If the Board makes a determination that no rate reduction will occur in calendar year 2019 pursuant to the provisions of subsection D of this section, the procedures prescribed by subsection B, subsection C, and subsection D of this section shall be repeated by the State Board of Equalization each year until the rate reduction has been implemented. Once implemented, such income tax rate shall be in effect for all subsequent tax years.

SECTION 4. REPEALER Section 5, Chapter 195, O.S.L. 2014 (68 O.S. Supp. 2016, Section 2355.1G), is hereby repealed.

SECTION 5. This act shall become effective November 1, 2017.

1 COMMITTEE REPORT BY: COMMITTEE ON APPROPRIATIONS
February 22, 2017 - DO PASS AS AMENDED
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