

STATE OF OKLAHOMA

2nd Session of the 56th Legislature (2018)

HOUSE BILL 2967

By: Thomsen

AS INTRODUCED

An Act relating to revenue and taxation; amending 68 O.S. 2011, Sections 2355, as last amended by Section 2, Chapter 194, O.S.L. 2014 and 2352, as last amended by Section 5, Chapter 337, O.S.L. 2016 (68 O.S. Supp. 2017, Sections 2355 and 2352), which relate to income tax rates and apportionments; providing for income tax rates and brackets; specifying rates applicable based on filing status; providing for applicability of rates and brackets to certain income tax years; modifying references; 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. 2017, 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.

- 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
- (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.

B. Individuals. For all taxable years beginning on or after January 1, 2008, and ending any tax year which begins after December 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 ending not later than December 31, 2017, and  
22 for which the determination required pursuant to Sections 4 and 5 of  
23 this act is made by the State Board of Equalization, a tax is hereby  
24

1 imposed upon the Oklahoma taxable income of every resident or  
2 nonresident individual, which tax shall 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 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 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. Individuals. For all taxable years beginning on or after

11 January 1, 2018, a tax is hereby imposed upon the Oklahoma taxable

12 income of every resident or nonresident individual, which tax shall

13 be computed as follows:

14 1. Single individuals and married individuals filing separate

15 returns:

- 16 (a) 1/2% tax on first \$1,199.00 or part thereof,
- 17 (b) 1% tax on the next amount equal to or greater than
- 18 \$1,200.00 but less than \$3,000.00,
- 19 (c) 2% tax on the next amount equal to or greater than
- 20 \$3,000.00 but less than \$4,500.00,
- 21 (d) 3% tax on the next amount equal to or greater than
- 22 \$4,500.00, but less than \$5,900.00,
- 23 (e) 4% tax on the next amount equal to or greater than
- 24 \$5,900.00, but less than \$8,650.00,



1       (f) 5% tax on the next amount equal to or greater than  
2       \$8,650.00, but less than \$10,150.00, and

3       (g) 5.5% tax on the next amount equal to or greater than  
4       \$10,150.00.

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

10       (a) 1/2% tax on first \$2,399.00 or part thereof,

11       (b) 1% tax on the next amount equal to or greater than  
12       \$2,400.00, but less than \$6,000.00,

13       (c) 2% tax on the next amount equal to or greater than  
14       \$6,000.00, but less than \$9,000.00,

15       (d) 3% tax on the next amount equal to or greater than  
16       \$9,000.00, but less than \$11,800.00,

17       (e) 4% tax on the next amount equal to or greater than  
18       \$11,800.00, but less than \$17,300.00,

19       (f) 5% tax on the next amount equal to or greater than  
20       \$17,300.00, but less than \$20,300.00, and

21       (g) 5.50% tax on the next amount equal to or greater than  
22       \$20,300.00.

23       E. Nonresident aliens. In lieu of the rates set forth in  
24       ~~subsection A above~~ subsections B, C and D of this section, there

1 shall be imposed on nonresident aliens, as defined in the Internal  
2 Revenue Code, a tax of eight percent (8%) instead of thirty percent  
3 (30%) as used in the Internal Revenue Code, with respect to the  
4 Oklahoma taxable income of such nonresident aliens as determined  
5 under the provision of the Oklahoma Income Tax Act.

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

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

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

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

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

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

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

18 ~~H.~~ I. Tax rate tables. For all taxable years beginning after  
19 December 31, ~~1991~~ 2017, in lieu of the tax imposed by subsection ~~A,~~  
20 B, ~~or C~~ or D of this section, as applicable there is hereby imposed  
21 for each taxable year on the taxable income of every individual,  
22 whose taxable income for such taxable year does not exceed the  
23 ceiling amount, a tax determined under tables, applicable to such  
24 taxable year which shall be prescribed by the Tax Commission and

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

8 SECTION 2. AMENDATORY 68 O.S. 2011, Section 2352, as  
9 last amended by Section 5, Chapter 337, O.S.L. 2016 (68 O.S. Supp.  
10 2017, Section 2352), is amended to read as follows:

11 Section 2352. It is hereby declared to be the purpose of  
12 Section 2351 et seq. of this title to provide revenue for general  
13 governmental functions of state government; and, for that purpose  
14 and to that end, it is expressly declared that the revenue derived  
15 herefrom and penalties and interest thereon, subject to the  
16 apportionment requirements for the Rebuilding Oklahoma Access and  
17 Driver Safety Fund, the Oklahoma Tourism and Passenger Rail  
18 Revolving Fund and the Public Transit Revolving Fund to be derived  
19 from income tax revenue that would otherwise be apportioned to the  
20 General Revenue Fund as provided by Section 1521 of Title 69 of the  
21 Oklahoma Statutes, subject to the apportionment requirements for the  
22 Oklahoma Tax Commission and Office of Management and Enterprise  
23 Services Joint Computer Enhancement Fund provided by Section 265 of  
24 this title, and subject to the apportionment requirements for the

1 Oklahoma State Capitol Building Repair and Restoration Fund provided  
2 by Section 19 of Title 73 of the Oklahoma Statutes, shall be  
3 distributed as follows:

4 1. For the fiscal year beginning July 1, 2002, the first Five  
5 Million Eight Hundred Thousand Dollars (\$5,800,000.00) of revenue  
6 derived pursuant to the provisions of subsections ~~A, B and E~~ B, C, D  
7 and F of Section 2355 of this title shall be apportioned to the  
8 Education Reform Revolving Fund. The remainder of such revenue for  
9 the fiscal year beginning July 1, 2002, and all such revenue for  
10 each fiscal year thereafter shall be apportioned monthly as follows:

11 a. (1) the following amounts shall be paid to the State  
12 Treasurer to be placed to the credit of the  
13 General Revenue Fund of the state for such fiscal  
14 year for the support of the state government to  
15 be paid out only pursuant to appropriation by the  
16 Legislature:

Fiscal Year	Amount
FY 2003 and FY 2004	87.12%
FY 2005	86.91%
FY 2006	86.66%
FY 2007	86.16%
FY 2008 and each fiscal year thereafter	85.66%

24

(2) in the event that additional monies are necessary pursuant to paragraph 3 of this section, such additional monies shall be deducted in the proportion determined by the State Board of Equalization pursuant to paragraph 3 of Section 2355.1B of this title from the monies apportioned to the General Revenue Fund,

b. for FY 2003 and each fiscal year thereafter, eight and thirty-four one-hundredths percent (8.34%) shall be paid to the State Treasurer to be placed to the credit of the Education Reform Revolving Fund,

c. the following amounts shall be paid to the State Treasurer to be placed to the credit of the Teachers' Retirement System Dedicated Revenue Revolving Fund:

Fiscal Year	Amount
FY 2003 and FY 2004	3.54%
FY 2005	3.75%
FY 2006	4.0%
FY 2007	4.5%
FY 2008 and each fiscal year thereafter	5.0%

d. for FY 2003 and each fiscal year thereafter, one percent (1%) shall be placed to the credit of the Ad Valorem Reimbursement Fund;

2. Beginning July 1, 2003, for any period of time as certified by the Oklahoma Development Finance Authority and the Oklahoma Department of Commerce to be necessary for the repayment of obligations issued by the Oklahoma Development Finance Authority pursuant to Section 3654 of this title if the other sources of revenue paid to or apportioned to the Quality Jobs Program Incentive Leverage Fund are not adequate, including the proceeds from payment pursuant to the guaranty required by subsection M of Section 3654 of this title, an amount certified by the Oklahoma Development Finance Authority to the Oklahoma Tax Commission shall be apportioned to the Quality Jobs Program Incentive Leverage Fund before any other apportionments are made as otherwise authorized by this paragraph. The Oklahoma Development Finance Authority shall certify to the Oklahoma Tax Commission the time as of which the revenue authorized for apportionment pursuant to this paragraph is no longer required. After the certification, the revenue derived from the income tax shall be apportioned in the manner otherwise provided by this section. Except as otherwise provided by this paragraph, for the fiscal year beginning July 1, 2002, the first Forty-One Million One Hundred Ninety Thousand Eight Hundred Dollars (\$41,190,800.00) of revenue derived pursuant to the provisions of subsections ~~D~~ F and ~~E~~ G of Section 2355 of this title shall be apportioned to the Education Reform Revolving Fund. The remainder of such revenue for the fiscal year beginning July 1, 2002, and all such revenue for



1 each fiscal year thereafter, subject to the apportionment  
2 requirements for the Oklahoma Tax Commission and Office of  
3 Management and Enterprise Services Joint Computer Enhancement Fund  
4 provided by Section 265 of this title, shall be apportioned monthly  
5 as follows:

6 a. the following amounts shall be paid to the State  
7 Treasurer to be placed to the credit of the General  
8 Revenue Fund of the state for such fiscal year for the  
9 support of the state government to be paid out only  
10 pursuant to appropriation by the Legislature:

Fiscal Year	Amount
FY 2003 and FY 2004	78.96%
FY 2005	78.75%
FY 2006	78.50%
FY 2007	78.0%

16 (1) FY 2018 and each fiscal  
17 year thereafter until the  
18 apportionment to the  
19 General Revenue Fund  
20 equals the moving five-  
21 year average amount for  
22 corporate income tax as  
23 prescribed by paragraph 4  
24 of this section

77.50%

(2) there shall be apportioned from the tax levy imposed on corporate income tax to the Revenue Stabilization Fund created by Section 1 of this act, or to the Constitutional Reserve Fund, as provided by Section 1 of this act, the amount of revenue, if any, which exceeds the moving five-year average amount as defined pursuant to paragraph 4 of this section,

b. for FY 2003 and each fiscal year thereafter, sixteen and five-tenths percent (16.5%) shall be paid to the State Treasurer to be placed to the credit of the Education Reform Revolving Fund of the State Department of Education,

c. the following amounts shall be paid to the State Treasurer to be placed to the credit of the Teachers' Retirement System Dedicated Revenue Revolving Fund:

Fiscal Year	Amount
FY 2003 and FY 2004	3.54%
FY 2005	3.75%
FY 2006	4.0%
FY 2007	4.5%
FY 2008 and each fiscal year thereafter	5.0%

d. for FY 2003 and each fiscal year thereafter, one percent (1%) shall be placed to the credit of the Ad Valorem Reimbursement Fund;

3. During the first fiscal year after the State Board of Equalization has made a determination as provided in Section 2355.1B of this title, regarding a baseline amount of revenue apportioned pursuant to subparagraph c of paragraph 1 of this section, and for each fiscal year thereafter, in no event shall monies apportioned pursuant to subparagraph c of paragraph 1 of this section, paragraph 3 of Section 1353 of this title and paragraph 3 of Section 1403 of this title be less than such baseline amount; and

4. "Moving five-year average for corporate income tax" means, for purposes of the apportionments prescribed by this section, the amount of income tax on corporations, as determined by the State Board of Equalization in the manner prescribed by Section 2 of this act.

SECTION 3. This act shall become effective January 1, 2018.

56-2-8546 MAH 01/03/18