

**BILL SUMMARY**  
2<sup>nd</sup> Session of the 56<sup>th</sup> Legislature

<b>Bill No.:</b>	<b>HB1037XX</b>
<b>Version:</b>	<b>Introduced</b>
<b>Request Number:</b>	<b>50351</b>
<b>Author:</b>	<b>Rep. Wallace</b>
<b>Date:</b>	<b>2/7/2018</b>
<b>Impact:</b>	<b>Please see previous summary of this measure</b>

**Research Analysis**

HB1037XX, as introduced, makes numerous changes to how state income tax is computed. The measure:

- Increases the number of tax brackets for individual income tax to eight with rates ranging from .5 percent to 5.0 percent (see end of summary for proposed brackets and rates);
- Establishes a nonrefundable tax credit equal to \$70 per return if federal AGI is less than \$16,000, \$65 per return if federal AGI is between \$16,001 and \$31,999 and \$50 per return if federal AGI is between \$32,000 and \$49,999;
- Eliminates the Indian employment exclusion, which was tied to a federal tax credit that was terminated in 2016;
- Eliminates the *Safety Pays* OSHA consultation exemption for employers;
- Eliminates personal exemptions;
- Decreases the standard deduction amounts to \$5,250 for single individuals and married individuals filing separately; \$10,500 for married individual filing jointly or a qualifying widower with a dependent child; and \$7,700 for heads of household;
- Caps itemized deductions at \$22,500 excluding charitable contributions;
- Eliminates the taxpayer with physical disabilities deduction, which allows a resident taxpayer to deduct costs associated with modifying a motor vehicle, home or workplace to accommodate their handicap;
- Strikes language relating to a deduction for federal income taxes paid that was terminated in 2005;
- Eliminates an exemption for contributions made to and interest received from a medical savings account;
- Eliminates a deduction for nonrecurring adoption expenses;
- Eliminates a deduction for discharge of farm indebtedness income;
- Eliminates a deduction for scholarships or stipend income received from participating in the Oklahoma Police Corps Scholarship Program;
- Eliminates a deduction for contributions to an account established under the Oklahoma College Savings Plan Act;
- Eliminates a deduction for unreimbursed expenses that are incurred for a living organ donation;
- Eliminates an exemption for death benefits received by the beneficiary of an emergency medical technician or registered emergency medical responder;
- Strikes a provision that required taxable income to be increased by any unemployment compensation exempted by the IRS;
- Eliminates an exemption for amounts under \$600 received as an award for participating in a competitive livestock show event;

- Repeals incentives for inventors, which includes an exemption of royalty earnings for a period of 7 years and a tax credit for instate manufacturers of products developed in the state by an inventor;
- Repeals incentives for small business incubator sponsors, which allowed a sponsor to exempt income earned from rental and service fees for up to 10 years; and
- Repeals incentives for small business incubator tenants, which allowed tenants to exempt income earned a result of the occupancy in the incubator for up to 10 years.

For single individuals and married individuals filing separately, the individual income tax will be computed as follows:

.5% tax on first \$999.00;  
 1% tax on the next amount equal to or greater than \$1,000.00, but less than \$2,500.00;  
 2% tax on the next amount equal to or greater than \$2,500.00, but less than \$3,750.00;  
 3% tax on the next amount equal to or greater than \$3,750.00, but less than \$4,900.00;  
 4% tax on the next amount equal to or greater than \$4,900.00, but less than \$7,200.00;  
 4.6% tax on the next amount equal to or greater than \$7,200.00, but less than \$18,000.00;  
 4.8% tax on the next amount equal to or greater than \$18,000.00, but less than \$50,000.00; and  
 5.0% tax on the next amount equal to or greater than \$50,000.00.

For married individuals filing jointly, a surviving spouse or heads of household, the individual income tax will be computed as follows:

1.5% tax on first \$1,999.00;  
 1% tax on the next amount equal to or greater than \$2,000.00, but less than \$5,000.00;  
 2% tax on the next amount equal to or greater than \$5,000.00, but less than \$7,500.00;  
 3% tax on the next amount equal to or greater than \$7,500.00, but less than \$9,800.00;  
 4% tax on the next amount equal to or greater than \$9,800.00, but less than \$12,200.00;  
 4.6% tax on the next amount equal to or greater than \$12,200.00, but less than \$36,000.00;  
 4.8% tax on the next amount equal to or greater than \$36,000.00, but less than \$100,000.00, and  
 5.0% tax on the next amount equal to or greater than \$100,000.00.

Prepared By: Quyen Do

### **Fiscal Analysis**

The measure is currently under review and impact information will be completed.

Prepared By: Mark Tygret

### **Other Considerations**

None.