

STATE OF OKLAHOMA

2nd Session of the 58th Legislature (2022)

SENATE BILL 1489

By: Dahm

AS INTRODUCED

An Act relating to taxation; amending 68 O.S. 2021, Sections 2355, as amended by Section 1, Chapter 493, O.S.L. 2021 and 2370, which relate to income tax and privilege tax; eliminating individual and corporate income tax for certain years; modifying rate of corporate income tax for certain year; eliminating privilege tax for certain years; and providing an effective date.

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

SECTION 1. AMENDATORY 68 O.S. 2021, Section 2355, as amended by Section 1, Chapter 493, O.S.L. 2021, 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,

1 (10) 9% tax on next \$3,500.00 or part thereof, and

2 (11) 10% tax on the remainder.

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

9 (1) 1/2% tax on the first \$2,000.00 or part thereof,

10 (2) 1% tax on the next \$3,000.00 or part thereof,

11 (3) 2% tax on the next \$2,500.00 or part thereof,

12 (4) 3% tax on the next \$1,400.00 or part thereof,

13 (5) 4% tax on the next \$1,500.00 or part thereof,

14 (6) 5% tax on the next \$1,600.00 or part thereof,

15 (7) 6% tax on the next \$1,250.00 or part thereof,

16 (8) 7% tax on the next \$1,750.00 or part thereof,

17 (9) 8% tax on the next \$3,000.00 or part thereof,

18 (10) 9% tax on the next \$6,000.00 or part thereof, and

19 (11) 10% tax on the remainder.

20 B. Individuals. For all taxable years beginning on or after
21 January 1, 2008, and ending any tax year which begins after December
22 31, 2015, for which the determination required pursuant to Sections
23 4 and 5 of this act is made by the State Board of Equalization, a
24 tax is hereby imposed upon the Oklahoma taxable income of every

1 resident or nonresident individual, which tax shall be computed as
2 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 next \$1,500.00 or part thereof,

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

12 any subsequent tax year unless the rate prescribed by

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

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

15 tax years. The decrease in the top marginal

16 individual income tax rate otherwise authorized by

17 this subparagraph shall be contingent upon the

18 determination required to be made by the State Board

19 of Equalization pursuant to Section 2355.1A of this

20 title.

21 2. Married individuals filing jointly and surviving spouse to
22 the extent and in the manner that a surviving spouse is permitted to
23 file a joint return under the provisions of the Internal Revenue
24

1 Code and heads of households as defined in the Internal Revenue

2 Code:

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

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

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

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

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

8 (f) 5% tax on next \$2,800.00 or part thereof,

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

10 any subsequent tax year unless the rate prescribed by

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

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

13 tax years. The decrease in the top marginal

14 individual income tax rate otherwise authorized by

15 this subparagraph shall be contingent upon the

16 determination required to be made by the State Board

17 of Equalization pursuant to Section 2355.1A of this

18 title.

19 C. Individuals. For ~~all taxable years beginning on or after~~
20 ~~January 1, 2022~~ taxable year 2022, a tax is hereby imposed upon the
21 Oklahoma taxable income of every resident or nonresident individual,
22 which tax shall be computed as follows:

23 1. Single individuals and married individuals filing
24 separately:

- (a) 0.25% tax on first \$1,000.00 or part thereof,
- (b) 0.75% tax on next \$1,500.00 or part thereof,
- (c) 1.75% tax on next \$1,250.00 or part thereof,
- (d) 2.75% tax on next \$1,150.00 or part thereof,
- (e) 3.75% tax on next \$2,300.00 or part thereof,
- (f) 4.75% tax on the remainder.

2. 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:

- (a) 0.25% tax on first \$2,000.00 or part thereof,
- (b) 0.75% tax on next \$3,000.00 or part thereof,
- (c) 1.75% tax on next \$2,500.00 or part thereof,
- (d) 2.75% tax on next \$2,300.00 or part thereof,
- (e) 3.75% tax on next \$2,400.00 or part thereof,
- (f) 4.75% tax on the remainder.

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

D. For taxable year 2023 and subsequent taxable years no tax shall be imposed upon the Oklahoma taxable income of every resident or nonresident individual.

E. Nonresident aliens. In lieu of the rates set forth in subsection A above, for taxable years before 2023, there shall be

1 imposed on nonresident aliens, as defined in the Internal Revenue
2 Code, a tax of eight percent (8%) instead of thirty percent (30%) as
3 used in the Internal Revenue Code, with respect to the Oklahoma
4 taxable income of such nonresident aliens as determined under the
5 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 for taxable years before 2023. Every
9 payer required to deduct and withhold taxes under this subsection
10 shall for each quarterly period on or before the last day of the
11 month following the close of each such quarterly period, pay over
12 the amount so withheld as taxes to the Tax Commission, and shall
13 file a return with each such payment. Such return shall be in such
14 form as the Tax Commission shall prescribe. Every payer required
15 under this subsection to deduct and withhold a tax from a payee
16 shall, as to the total amounts paid to each payee during the
17 calendar year, furnish to such payee, on or before January 31, of
18 the succeeding year, a written statement showing the name of the
19 payer, the name of the payee and the payee's Social Security account
20 number, if any, the total amount paid subject to taxation, and the
21 total amount deducted and withheld as tax and such other information
22 as the Tax Commission may require. Any payer who fails to withhold
23 or pay to the Tax Commission any sums herein required to be withheld
24

1 or paid shall be personally and individually liable therefor to the
2 State of Oklahoma.

3 ~~E.~~ F. Corporations.

4 1. For all taxable years beginning after December 31, 1989
5 taxable years 1990 through 2021, a tax is hereby imposed upon the
6 Oklahoma taxable income of every corporation doing business within
7 this state or deriving income from sources within this state in an
8 amount equal to six percent (6%) thereof;

9 2. For taxable year 2022, a tax is hereby imposed upon the
10 Oklahoma taxable income of every corporation doing business within
11 this state or deriving income from sources within this state in an
12 amount equal to four percent (4%) thereof; and

13 3. For taxable year 2023 and subsequent taxable years no tax
14 shall be imposed upon the Oklahoma taxable income of every
15 corporation doing business within this state or deriving income from
16 sources within this state.

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.~~ G. Certain foreign corporations. In lieu of the tax imposed
22 in the first paragraph of subsection ~~D~~ E of this section~~;~~:

23 1. for all taxable years beginning after December 31, 1989 For
24 taxable years 1990 through 2021, there shall be imposed on foreign

1 corporations, as defined in the Internal Revenue Code, a tax of six
2 percent (6%) instead of thirty percent (30%) as used in the Internal
3 Revenue Code, where such income is received from sources within
4 Oklahoma, in accordance with the provisions of the Internal Revenue
5 Code and the Oklahoma Income Tax Act;

6 2. For taxable year 2022, there shall be imposed on foreign
7 corporations, as defined in the Internal Revenue Code, a tax of four
8 percent (4%) instead of thirty percent (30%) as used in the Internal
9 Revenue Code, where such income is received from sources within
10 Oklahoma, in accordance with the provisions of the Internal Revenue
11 Code and the Oklahoma Income Tax Act.

12 3. Every payer of amounts covered by this subsection shall
13 deduct and withhold from such amounts paid each payee an amount
14 equal to:

15 a. six percent (6%) thereof for taxable years 1990
16 through 2021, and

17 b. four percent (4%) thereof for taxable year 2022.

18 Every payer required to deduct and withhold taxes under this
19 subsection shall for each quarterly period on or before the last day
20 of the month following the close of each such quarterly period, pay
21 over the amount so withheld as taxes to the Tax Commission, and
22 shall file a return with each such payment. Such return shall be in
23 such form as the Tax Commission shall prescribe. Every payer
24 required under this subsection to deduct and withhold a tax from a

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

11 ~~G.~~ H. 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, or D of this section for single
14 individuals. Fiduciaries are not allowed a deduction for any
15 federal income tax paid.

16 ~~H.~~ I. 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, or D of this section, as applicable there is hereby imposed for
19 each 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~~, or D of this section.
2 For purposes of this subsection, the term "ceiling amount" means,
3 with respect to any taxpayer, the amount determined by the Tax
4 Commission for the tax rate category in which such taxpayer falls.

5 SECTION 2. AMENDATORY 68 O.S. 2021, Section 2370, is
6 amended to read as follows:

7 Section 2370. A. For taxable ~~years beginning after December~~
8 ~~31, 2021~~ year 2022, for the privilege of doing business within this
9 state, every state banking association, national banking association
10 and credit union organized under the laws of this state, located or
11 doing business within the limits of the State of Oklahoma shall
12 annually pay to this state a privilege tax at the rate of four
13 percent (4%) of the amount of the taxable income as provided in this
14 section. For taxable year 2023 and subsequent taxable years, no
15 privilege tax shall be levied.

16 B. 1. The privilege tax levied by this section shall be in
17 addition to the Business Activity Tax levied in Section 1218 of this
18 title and the franchise tax levied in Article 12 of this title and
19 in lieu of the tax levied by Section 2355 of this title and in lieu
20 of all taxes levied by the State of Oklahoma, or any subdivision
21 thereof, upon the shares of stock or personal property of any
22 banking association or credit union subject to taxation under this
23 section.
24

1 2. Nothing in this section shall be construed to exempt the
2 real property of any banking associations or credit unions from
3 taxation to the same extent, according to its value, as other real
4 property is taxed. Nothing herein shall be construed to exempt an
5 association from payment of any fee or tax authorized or levied
6 pursuant to the banking laws.

7 3. Personal property which is subject to a lease agreement
8 between a bank or credit union, as lessor, and a nonbanking business
9 entity or individual, as lessee, is not exempt from personal
10 property ad valorem taxation. Provided further, that it shall be
11 the duty of the lessee of such personal property to return sworn
12 lists or schedules of their taxable property within each county to
13 the county assessor of such county as provided in Sections 2433 and
14 2434 of this title.

15 C. Any tax levied under this section shall accrue on the last
16 day of the taxable year and be payable as provided in Section 2375
17 of this title. The accrual of such tax for the first taxable year
18 to which this act applies, shall apply notwithstanding the prior
19 accrual of a tax in the same taxable year based upon the net income
20 of the next preceding taxable year; provided, however, any
21 additional deduction enuring to the benefit of the taxpayer shall be
22 deducted in accordance with the optional transitional deduction
23 procedures in Section 2354 of this title.
24

1 D. The basis of the tax shall be United States taxable income
2 as defined in paragraph 10 of Section 2353 of this title and any
3 adjustments thereto under the provisions of Section 2358 of this
4 title with the following adjustments:

5 1. There shall be deducted all interest income on obligations
6 of the United States government and agencies thereof not otherwise
7 exempted and all interest income on obligations of the State of
8 Oklahoma or political subdivisions thereof, including public trust
9 authorities, not otherwise exempted under the laws of this state;
10 and

11 2. Expense deductions claimed in arriving at taxable income
12 under paragraph 10 of Section 2353 of this title shall be reduced by
13 an amount equal to fifty percent (50%) of excluded interest income
14 on obligations of the United States government or agencies thereof
15 and obligations of the State of Oklahoma or political subdivisions
16 thereof.

17 E. 1. Except as otherwise provided in paragraph 2 of this
18 subsection, before January 1, 2017, there shall be allowed a credit
19 against the tax levied in subsection A of this section in an amount
20 equal to the amount of taxable income received by a participating
21 financial institution as defined in Section 90.2 of Title 62 of the
22 Oklahoma Statutes pursuant to a loan made under the Rural Economic
23 Development Loan Act. Such credit shall be limited each year to
24 five percent (5%) of the amount of annual payroll certified by the

Oklahoma Rural Economic Development Loan Program Review Board
pursuant to the provisions of paragraph 3 of subsection B of Section
90.4 of Title 62 of the Oklahoma Statutes with respect to the loan
made by the participating financial institution and may be claimed
for any number of years necessary until the amount of total credits
claimed is equal to the total amount of taxable income received by
the participating financial institution pursuant to the loan. Any
credit allowed but not used in a taxable year may be carried forward
for a period not to exceed five (5) taxable years. In no event
shall a credit allowed pursuant to the provisions of this subsection
be transferable or refundable.

2. No credit otherwise authorized by the provisions of this
subsection may be claimed for any event, transaction, investment,
expenditure or other act occurring on or after July 1, 2010, for
which the credit would otherwise be allowable. The provisions of
this paragraph shall cease to be operative on July 1, 2012.
Beginning July 1, 2012, the credit authorized by this subsection may
be claimed for any event, transaction, investment, expenditure or
other act occurring on or after July 1, 2012, according to the
provisions of this subsection.

SECTION 3. This act shall become effective November 1, 2022.

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