

# OKLAHOMA TAX COMMISSION

## REVENUE IMPACT STATEMENT SECOND REGULAR SESSION, FIFTY-EIGHTH OKLAHOMA LEGISLATURE

DATE OF IMPACT STATEMENT: February 16, 2022

BILL NUMBER: SB 1489 STATUS AND DATE OF BILL: Introduced 1/20/2022

AUTHORS: House n/a Senate Dahm

TAX TYPE (S): Income Tax SUBJECT: Tax Levy

PROPOSAL: Amendatory

SB 1489 proposes to amend 68 O.S. § 2355 ending the levy of the Oklahoma income tax effective for tax year 2023. This measure further amends 68 O.S. § 2370 ending the levy of the Oklahoma bank in lieu tax effective for tax year 2023.

EFFECTIVE DATE: November 1, 2022

### REVENUE IMPACT:

Insert dollar amount (plus or minus) of the expected change in state revenues due to this proposed legislation.

FY 23: Decrease in income tax collections of \$2.015 billion

FY 24: Decrease in income tax collections of \$4.133 billion

Feb. 16, 2022

DATE

Rick Miller

DIVISION DIRECTOR

mk

2/16/2022

DATE

Huan Gong

HUAN GONG, ECONOMIST

2/17/2022

DATE

[Signature]  
FOR THE COMMISSION

*The revenue impact provided herein is an estimate of the potential impact on the collection or apportionment of tax revenues affected by the proposed legislation. It is not intended to be an estimate of the overall fiscal impact on the state budget if the proposed legislation is enacted.*

## ATTACHMENT TO REVENUE IMPACT – SB 1489 [Introduced] Prepared 2/16/2022

SB 1489 proposes to amend 68 O.S. § 2355 ending the levy of the Oklahoma income tax effective for tax year 2023.<sup>1</sup> This measure further amends 68 O.S. § 2370 ending the levy of the Oklahoma bank in lieu tax effective for tax year 2023.

This measure proposes to eliminate Oklahoma individual tax beginning with tax year 2023. Further, this measure proposes to reduce the corporate income tax rate from 6% to 4% effective for tax year 2022<sup>2</sup> and eliminate the corporate income tax beginning with tax year 2023.

Under current law, Oklahoma levies a tax upon the taxable income of individuals using a graduated rate structure. The top marginal rate for individuals is 4.75%. C Corporations are subject to a flat rate of 4% of Oklahoma taxable income. Banks are generally subject to an in lieu tax of 4% of taxable income.

The Oklahoma Tax Commission has forecast<sup>3</sup> individual income tax revenue to be \$3.669 billion in FY23 and \$3.744 billion in FY24. Corporate income tax revenue, including the bank in lieu tax, is estimated to be \$361.0 million in FY23 and \$389.9 million in FY24. The forecast for total income tax collections is \$4.030 billion in FY23 and \$4.133 billion for FY24. Eliminating income tax effective for tax year 2023 would affect 50% of the FY23 forecast and 100% of the FY 24 forecast; therefore, the projected revenue decrease in FY23 would be \$2.015 billion and a decrease of \$4.133 billion in income tax collections would occur in FY24.

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<sup>1</sup> Foreign corporations, as defined by the Internal Revenue Service, subject to a 30% federal tax levy would still be subject to a 4% Oklahoma tax levy; however, we are unaware of any corporations currently subject to the 30% federal levy.

<sup>2</sup> HB 2960 [2021] reduced the corporate income tax rate from 6% to 4% beginning with tax year 2022.

<sup>3</sup>Oklahoma Tax Commission Letter to the Office of Management and Enterprise Services regarding the Revenue Forecast for F.Y. 2023. [February 15, 2022] Oklahoma Tax Commission Letter to the Office of Management and Enterprise Services regarding the Revenue Forecast for F.Y. 2024. February 15, 2022]