

BILL SUMMARY
2nd Session of the 58th Legislature

Bill No.:	HB 3418
Version:	INT
Request Number:	8792
Author:	Rep. Fetgatter
Date:	2/9/2022
Impact:	Tax Commission:

Unknown Decrease in Income Tax Collections

Research Analysis

HB3418, as introduced, creates an income tax deduction to allow taxpayers to fully expense the cost of qualified business assets in the same tax year the asset was placed in service effective tax year 2022. Qualified business assets are those eligible under Section 179 of the Internal Revenue Code. Taxpayers may also receive a 100% bonus depreciation deduction for property eligible under Section 168 of the IRC in the same tax year that the asset is placed in service.

OTC is directed to promulgate rules for implementation of the act within 60 days of enactment of the bill.

Prepared By: Quyen Do

Fiscal Analysis

Analysis provided by the Tax Commission:

HB 3418 proposes to enact an income tax deduction based on the cost of business assets that are qualified property or qualified improvement property covered under Section 168 of the Internal Revenue Code, effective for tax year 2022 and subsequent tax years. The qualified property will be eligible for 100% Oklahoma bonus depreciation and may be deducted as an expense incurred by the taxpayer during the taxable year during which the property is placed in service.¹

Under current law, Oklahoma allows depreciation based on the cost of business assets to the extent that depreciation is claimed for federal income tax purposes to compute Oklahoma taxable income. Depreciation is an annual income tax deduction that allows you to recover the cost or other basis of certain property over the time you use the property. It is an allowance for the wear and tear, deterioration, or obsolescence of the property². This measure would allow a deduction (bonus depreciation) of 100% of the cost of the qualifying property the year that the property was placed in service, beginning with tax year 2022.

Data is not available to estimate how much is expected to be expended on business assets that are qualified property or qualified improvement property eligible for bonus depreciation. There is an unknown projected decrease in tax collections for tax year 2022, beginning with FY23.

¹ There is no prohibition on continuing to claim depreciation to the extent that depreciation is claimed for federal income tax purposes to compute Oklahoma taxable income for those that elect to claim 100% bonus depreciation.

² *How to Depreciate Property* Publication 946 Department of the Treasury; Internal Revenue Service
<https://www.irs.gov/pub/irs-pdf/p946.pdf>

Prepared By: Mark Tygret

Other Considerations

None.

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