

BILL SUMMARY
2nd Session of the 58th Legislature

Bill No.: HB 4358
Version: FA3
Request Number: 11172
Author: Rep. Boatman
Date: 3/23/2022
Impact: Tax Commission (Prior Analysis):

Estimated Revenue Decrease:

FY-23: (\$23,467,000)
FY-24: (\$74,155,688)
FY-25: (\$129,646,063)

Research Analysis

The third floor substitute for HB 4358 establishes a graduated schedule to reduce the state corporate income tax, pass-through entity tax and the bank privilege tax by .5 percent every tax year beginning tax year 2023.

The current state income tax rate for corporations, pass-through entities and banks is 4 percent. The rate reduction schedule is as follows:

Tax Year	State Corporate Income Tax Rate
2023	3.5%
2024	3.0%
2025	2.5%
2026	2.0%
2027	1.5%
2028	1.0%
2029	0.5%
2030	0.0%

All corporations are eligible for the reduced rate in the applicable tax year, except those with more than \$50 million in Oklahoma state tax credit carryforwards as of the effective date of the act and those considered to be a public service corporation subject to the regulatory jurisdiction of the Oklahoma Corporation Commission. For such corporations, the existing 4 percent corporate income tax rate will prevail. Additionally, if a corporation that elects to be subject to the 4 percent tax rate has fully utilized all tax credits available to it, its tax rate will be 0 percent for the first tax year beginning after the end of the final tax year in which any such credits have been claimed.

When the 0% bank privilege tax takes effect in tax year 2030, banks will be subject to an in-lieu fee of \$100 each year, which be apportioned to the State Public Common Schools Building Equalization Fund.

Prepared By: Emily McPherson

Fiscal Analysis

Analysis provided by the Tax Commission:

Under current law, a 4% income tax is levied upon the Oklahoma taxable income of every corporation doing business within this state or deriving income from sources within this state per 68 O.S. § 2355 (E). Banks are subject to a 4% in lieu tax upon Oklahoma taxable income under 68 O.S. § 2370. This memorandum combines the revenue impact of the bank in lieu tax levy and the corporate income tax income levy declining in the same manner.

In order to determine the revenue impact the estimates from the Oklahoma Tax Commission Revenue forecast for FY23; FY24; and FY25 were used¹. The chart below shows the estimated decrease in corporate tax collections by fiscal year:

FY Effect – Incremental Corporate Income Tax Rate Reduction				
	FY Conversion ¹	FY23	FY24	FY25
Tax Year 2023	-\$46,934,000	-\$23,467,000	-\$23,467,000	
Tax Year 2024	-\$101,377,375		-\$50,688,688	-\$50,688,688
Tax Year 2025	-\$157,914,750			-\$78,957,375
	FY TOTAL	-\$23,467,000	-\$74,155,688	-\$129,646,063

¹Oklahoma Tax Commission - Revenue Forecasts for FY 2023; FY 2024 and FY 2025 as of February 15, 2022. Letter to Office of Management and Enterprise Services. FY23 Corporate Estimate is \$361.0 million; FY24 Corporate Estimate is \$389.9 million, and FY25 Corporate estimate is \$421.6 million.

²For purposes of this analysis the tax year reductions were split evenly between two fiscal years

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Other Considerations

None.