

**BILL SUMMARY**  
2<sup>nd</sup> Session of the 59<sup>th</sup> Legislature

<b>Bill No.:</b>	<b>HB2699</b>
<b>Version:</b>	<b>FULLPCS1</b>
<b>Request Number:</b>	<b>9984</b>
<b>Author:</b>	<b>Rep. Kendrix</b>
<b>Date:</b>	<b>2/23/2024</b>
<b>Impact:</b>	<b>See Analysis Below</b>

**Research Analysis**

HB2699 replaces the bracket system for personal income tax with a 4.75 percent flat tax and increases the standard deduction limits to \$13,550 for single filers, \$20,325 for heads of households and \$27,100 for joint filers effective tax year 2024.

Prepared By: Quyen Do

**Fiscal Analysis**

In its current form, HB2699 proposes to replace the graduated income tax rate structure with a single rate of 4.75%. The measure also modifies the standard deduction and personal exemptions effective for tax year 2024 and subsequent years.

Analysis by the Oklahoma Tax Commission:

The expected revenue impact would be a decrease of between \$0 to \$24.7 million in individual income tax collections for FY24, and a decrease of between \$113.6 million to \$138.3 million in individual income tax collections for FY25.

***CURRENT LAW & PROPOSED AMENDMENTS:***

**Tax Rate.** Under current law, income tax is levied on taxable income using income tax brackets that can be found on the last page of this analysis. This measure would replace the graduated income tax rate structure with a single rate of 4.75% of Oklahoma taxable income effective for tax year 2024 and subsequent years.

**Personal Exemptions.** The personal exemption of \$1,000, the additional personal exemption for taxpayers 65 years of age or older in the amount of \$1,000, and the additional personal exemption for blind taxpayers in the amount of \$1,000, are eliminated under this proposal.

**Standard Deduction.** Additionally, this measure would amend the amount of standard deduction<sup>1</sup> that is allowed to compute Oklahoma taxable income. The chart below shows the current and proposed standard deduction amounts by income tax filing status:

<b>Filing Status</b>	<b>Standard Deduction Amount</b>	
	<b>Current</b>	<b>Proposed</b>
Married Filing Joint & Surviving Spouse	\$12,700	\$27,100
Single & Married Filing Separate	\$6,350	\$13,550
Head of Household	\$9,350	\$20,325

### **ANTICIPATED IMPACT:**

The effects of this proposal were estimated using the Oklahoma Individual Income Tax Microsimulation Model. The chart below shows the estimated impact by tax year.

<b>HB 2699 - 4.75% FLAT RATE / INCREASE OK STANDARD DEDUCTION / ELIMINATE PERSONAL EXEMPTIONS</b>	
<b>Revenue Impact</b>	
Tax year 2024	-\$98,694,000
Tax year 2025	-\$98,898,000
Tax year 2026	-\$99,740,000
Source: Oklahoma Individual Income Tax Micro-Simulation Model.	

Withholding and estimated tax payments will change if this proposal is enacted; however, it is unknown how much of the tax year 2024 impact will occur in FY 24 versus FY 25 due to the uncertainty of the enactment date.<sup>2</sup> Withholding tables will not be adjusted to reflect the proposed new income tax rate until the bill becomes law. Assuming this measure is enacted and effective in March, April, or May of 2024, withholding tables would be adjusted for April, May, and June wages respectively. The expected revenue impact would be a decrease of between \$0 to \$24.7 million in individual income tax collections for FY24, and a decrease of between \$113.6 million to \$138.3 million in individual income tax collections for FY25.

### **INDIVIDUAL INCOME TAX BRACKETS**

<b>Current Law - Married Filing Joint; Head of Household and Surviving Spouse Brackets</b>								
If Taxable Income Is:								
0	-	\$2,000	Pay	\$0	plus	0.25%	over	\$0
\$2,001	-	\$5,000	Pay	\$5.00	plus	0.75%	over	\$2,000
\$5,001	-	\$7,500	Pay	\$27.50	plus	1.75%	over	\$5,000
\$7,501	-	\$9,800	Pay	\$71.25	plus	2.75%	over	\$7,500
\$9,801	-	\$14,400	Pay	\$134.50	plus	3.75%	over	\$9,800
\$14,401	and above		Pay	\$307.00	plus	4.75%	over	\$14,400

<b>Current Law - Single and Married Filing Separate Brackets</b>								
If Taxable Income Is:								
\$0	-	\$1,000	Pay	\$0.00	plus	0.25%	over	\$0
\$1,001	-	\$2,500	Pay	\$2.50	plus	0.75%	over	\$1,000
\$2,501	-	\$3,750	Pay	\$13.75	plus	1.75%	over	\$2,500
\$3,751	-	\$4,900	Pay	\$35.63	plus	2.75%	over	\$3,750
\$4,901	-	\$7,200	Pay	\$67.25	plus	3.75%	over	\$4,900
\$7,201	and above		Pay	\$153.50	plus	4.75%	over	\$7,200

Prepared By: Zach Penrod

### **Other Considerations**

None.

