

BILL SUMMARY
2nd Session of the 59th Legislature

Bill No.:	HB2950
Version:	Introduced
Request Number:	HB2950
Author:	Speaker McCall
Date:	2/6/2024
Impact:	FY24: \$0-60.8 M Decrease to income tax collections
	FY25: \$284-345 M Decrease to income tax collections

Research Analysis

HB2950, as introduced, provides a 0.25% personal income tax cut for all brackets, lowering the top marginal rate from 4.75% to 4.50% effective tax year 2024.

Prepared By: Quyen Do

Fiscal Analysis

Officials for the Oklahoma Tax Commission have analyzed the impact of this measure as follows:

HB 2950 proposes to amend the provisions of 68 O.S. § 2355, by decreasing the individual income tax rate by 0.25% for all income brackets beginning with tax year 2024 and subsequent tax years.

The current and proposed tax brackets for tax years 2024 and 2025 can be found on the final page of this revenue impact statement.

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 only.

HB 2950	
<u>0.25% RATE REDUCTION ALL INDIVIDUAL INCOME BRACKETS</u>	
Revenue Impact	
Tax year 2024	-\$243,234,000
Tax year 2025	-\$254,350,000
Tax year 2026	-\$279,697,000

Source: Oklahoma Individual Income Tax Micro-Simulation Model.

Withholding and estimated tax payments will change because of the enactment of this measure; 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 when this measure will be passed. Withholding tables will not be adjusted to reflect the proposed new income tax rate structure until the bill has gone into effect. Assuming the bill 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 and \$60.8 million in individual income tax collections for FY24, and a decrease of between \$284.1 million and \$345 million in individual income tax collections for FY25.

EFFECTIVE DATE: January 1, 2024

REVENUE IMPACT:

Withholding and estimated tax payments will change because of the enactment of this measure; 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 when this measure will be enacted.

FY 24: Unknown decrease in income tax collections expected to be between \$0 and \$60.8 million.

FY 25: Unknown decrease in income tax collections expected to be between \$284.1 million and \$345 million.

Prepared By: John McPhetridge, House Fiscal Director

Other Considerations

None.