

OKLAHOMA TAX COMMISSION

REVENUE IMPACT STATEMENT AND/OR ADMINISTRATIVE IMPACT STATEMENT SECOND REGULAR SESSION, FIFTY-NINTH OKLAHOMA LEGISLATURE

DATE OF IMPACT STATEMENT: January 15, 2024

BILL NUMBER: SB 1500 **STATUS AND DATE OF BILL:** Introduced 12/15/2023

AUTHORS: House: n/a Senate: Rader

TAX TYPE(S): Income Tax **SUBJECT:** Exclusion

PROPOSAL: Amendatory

SB 1500 proposes to amend 68 O.S. § 2362 relating to the calculation of Oklahoma income tax for nonresident individuals for tax year 2025 and subsequent tax years. It excludes certain compensation of nonresident individuals from Oklahoma taxable income. Specifically, it excludes compensation earned in Oklahoma of less than \$20,000 for nonresidents located in Oklahoma for less than 30 days. This exclusion takes effect in tax year 2025.

EFFECTIVE DATE: November 1, 2024

REVENUE IMPACT:

Data is not available as to the number of nonresidents who are or will be located in Oklahoma for less than 30 days and whose total compensation for the performance of a business, trade, profession, occupation, or service performed in Oklahoma does not exceed \$20,000.

FY 25: Unknown decrease in individual income tax collections.

FY 26: Unknown decrease in individual income tax collections.

1/18/24

DATE


MARIE SCHUBLE, DIVISION DIRECTOR

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1/18/24

DATE

Huan Gong
HUAN GONG, ECONOMIST

1/30/2024

DATE

Joseph P. Gappa
JOSEPH GAPPA, 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 – SB1500 [Intro] Prepared: January 15, 2024

CURRENT LAW:

Under 68 O.S. § 2368, nonresident individuals having Oklahoma gross income of \$1,000 or more for a taxable year are required to file an Oklahoma income tax return. The method to calculate Oklahoma taxable income for nonresident individuals is in 68 O.S. § 2362.¹ Generally, the Oklahoma taxable income of a part-year individual or nonresident individual is calculated as if all income were earned in Oklahoma. The Federal Adjusted Gross Income (AGI) is adjusted using the Oklahoma adjustments, allowed in 68 O.S. § 2358, to arrive at AGI from all sources. The AGI from all sources is used to determine the taxable income. After the taxable income is calculated, it is prorated using a percentage of the AGI from Oklahoma sources divided by the AGI from all sources. This prorated tax is the Oklahoma tax.

Under 68 O.S. § 2362, adjusted gross income from Oklahoma includes income from several sources and activities in Oklahoma, including performance of a business, trade, profession, occupation, or service performed in this state or performed partly within and partly without this state.

PROPOSED AMENDMENTS:

This measure would provide that nonresidents located in Oklahoma for less than 30 days and whose total compensation for the performance of a business, trade, profession, occupation, or service in Oklahoma does not exceed \$20,000 may exclude that amount in the calculation of Oklahoma taxable income.

ANTICIPATED IMPACT:

Data is not available as to the number of nonresidents whose total compensation for the performance of a business, trade, profession, occupation, or service performed in Oklahoma is less than \$20,000. An unknown decrease in individual income tax collections would occur as a result of this measure, as early as FY25.

¹ 68 O.S. § 2362 also provides the method to calculate Oklahoma taxable income for part-year resident individuals, nonresident trusts, and nonresident estates in addition to nonresident individuals. It is unclear if the proposed exemption could extend to nonresident trusts or nonresident estates.