

STATE OF OKLAHOMA

3rd Extraordinary Session of the 59th Legislature (2024)

HOUSE BILL 1001

By: Lepak

AS INTRODUCED

An Act relating to revenue and taxation; amending 68 O.S. 2021, Section 2355, as last amended by Section 1, Chapter 27, 1st Extraordinary Session, O.S.L. 2023 (68 O.S. Supp. 2023, Section 2355), which relates to income tax levies; reducing income tax rate; providing for revenue computations by the State Board of Equalization; providing for reductions in certain income tax rate based upon increases in total collections; defining term; prescribing formula for further reductions of income tax rates; providing for reductions until individual income tax rate equals zero; and providing an effective date.

BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

SECTION 1. AMENDATORY 68 O.S. 2021, Section 2355, as last amended by Section 1, Chapter 27, 1st Extraordinary Session, O.S.L. 2023 (68 O.S. Supp. 2023, Section 2355), is amended to read as follows:

Section 2355. A. Individuals. For all taxable years beginning after December 31, 1998, and before January 1, 2006, a tax is hereby imposed upon the Oklahoma taxable income of every resident or nonresident individual, which tax shall be computed at the option of the taxpayer under one of the two following methods:

1 1. METHOD 1.

2 a. Single individuals and married individuals filing
3 separately not deducting federal income tax:

4 (1) 1/2% tax on first \$1,000.00 or part thereof,

5 (2) 1% tax on next \$1,500.00 or part thereof,

6 (3) 2% tax on next \$1,250.00 or part thereof,

7 (4) 3% tax on next \$1,150.00 or part thereof,

8 (5) 4% tax on next \$1,300.00 or part thereof,

9 (6) 5% tax on next \$1,500.00 or part thereof,

10 (7) 6% tax on next \$2,300.00 or part thereof, and

11 (8) (a) for taxable years beginning after December

12 31, 1998, and before January 1, 2002, 6.75%

13 tax on the remainder,

14 (b) for taxable years beginning on or after

15 January 1, 2002, and before January 1, 2004,

16 7% tax on the remainder, and

17 (c) for taxable years beginning on or after

18 January 1, 2004, 6.65% tax on the remainder.

19 b. Married individuals filing jointly and surviving

20 spouse to the extent and in the manner that a

21 surviving spouse is permitted to file a joint return

22 under the provisions of the Internal Revenue Code and

23 heads of households as defined in the Internal Revenue

24 Code not deducting federal income tax:
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- 1 (1) 1/2% tax on first \$2,000.00 or part thereof,
- 2 (2) 1% tax on next \$3,000.00 or part thereof,
- 3 (3) 2% tax on next \$2,500.00 or part thereof,
- 4 (4) 3% tax on next \$2,300.00 or part thereof,
- 5 (5) 4% tax on next \$2,400.00 or part thereof,
- 6 (6) 5% tax on next \$2,800.00 or part thereof,
- 7 (7) 6% tax on next \$6,000.00 or part thereof, and
- 8 (8) (a) for taxable years beginning after December
9 31, 1998, and before January 1, 2002, 6.75%
10 tax on the remainder,
- 11 (b) for taxable years beginning on or after
12 January 1, 2002, and before January 1, 2004,
13 7% tax on the remainder, and
- 14 (c) for taxable years beginning on or after
15 January 1, 2004, 6.65% tax on the remainder.

16 2. METHOD 2.

- 17 a. Single individuals and married individuals filing
18 separately deducting federal income tax:

- 19 (1) 1/2% tax on first \$1,000.00 or part thereof,
- 20 (2) 1% tax on next \$1,500.00 or part thereof,
- 21 (3) 2% tax on next \$1,250.00 or part thereof,
- 22 (4) 3% tax on next \$1,150.00 or part thereof,
- 23 (5) 4% tax on next \$1,200.00 or part thereof,
- 24 (6) 5% tax on next \$1,400.00 or part thereof,
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- 1 (7) 6% tax on next \$1,500.00 or part thereof,
- 2 (8) 7% tax on next \$1,500.00 or part thereof,
- 3 (9) 8% tax on next \$2,000.00 or part thereof,
- 4 (10) 9% tax on next \$3,500.00 or part thereof, and
- 5 (11) 10% tax on the remainder.

6 b. Married individuals filing jointly and surviving
7 spouse to the extent and in the manner that a
8 surviving spouse is permitted to file a joint return
9 under the provisions of the Internal Revenue Code and
10 heads of households as defined in the Internal Revenue
11 Code deducting federal income tax:

- 12 (1) 1/2% tax on the first \$2,000.00 or part thereof,
- 13 (2) 1% tax on the next \$3,000.00 or part thereof,
- 14 (3) 2% tax on the next \$2,500.00 or part thereof,
- 15 (4) 3% tax on the next \$1,400.00 or part thereof,
- 16 (5) 4% tax on the next \$1,500.00 or part thereof,
- 17 (6) 5% tax on the next \$1,600.00 or part thereof,
- 18 (7) 6% tax on the next \$1,250.00 or part thereof,
- 19 (8) 7% tax on the next \$1,750.00 or part thereof,
- 20 (9) 8% tax on the next \$3,000.00 or part thereof,
- 21 (10) 9% tax on the next \$6,000.00 or part thereof, and
- 22 (11) 10% tax on the remainder.

23 B. Individuals. For all taxable years beginning on or after
24 January 1, 2008, and ending any tax year which begins after December
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1 31, 2015, for which the determination required pursuant to Sections
2 4 and 5 of this act is made by the State Board of Equalization, a
3 tax is hereby imposed upon the Oklahoma taxable income of every
4 resident or nonresident individual, which tax shall be computed as
5 follows:

6 1. Single individuals and married individuals filing
7 separately:

8 (a) 1/2% tax on first \$1,000.00 or part thereof,

9 (b) 1% tax on next \$1,500.00 or part thereof,

10 (c) 2% tax on next \$1,250.00 or part thereof,

11 (d) 3% tax on next \$1,150.00 or part thereof,

12 (e) 4% tax on next \$2,300.00 or part thereof,

13 (f) 5% tax on next \$1,500.00 or part thereof,

14 (g) 5.50% tax on the remainder for the 2008 tax year and

15 any subsequent tax year unless the rate prescribed by
16 subparagraph (h) of this paragraph is in effect, and

17 (h) 5.25% tax on the remainder for the 2009 and subsequent

18 tax years. The decrease in the top marginal

19 individual income tax rate otherwise authorized by

20 this subparagraph shall be contingent upon the

21 determination required to be made by the State Board

22 of Equalization pursuant to Section 2355.1A of this

23 title.
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1 2. Married individuals filing jointly and surviving spouse to
2 the extent and in the manner that a surviving spouse is permitted to
3 file a joint return under the provisions of the Internal Revenue
4 Code and heads of households as defined in the Internal Revenue
5 Code:

- 6 (a) 1/2% tax on first \$2,000.00 or part thereof,
- 7 (b) 1% tax on next \$3,000.00 or part thereof,
- 8 (c) 2% tax on next \$2,500.00 or part thereof,
- 9 (d) 3% tax on next \$2,300.00 or part thereof,
- 10 (e) 4% tax on next \$2,400.00 or part thereof,
- 11 (f) 5% tax on next \$2,800.00 or part thereof,
- 12 (g) 5.50% tax on the remainder for the 2008 tax year and
13 any subsequent tax year unless the rate prescribed by
14 subparagraph (h) of this paragraph is in effect, and
15 (h) 5.25% tax on the remainder for the 2009 and subsequent
16 tax years. The decrease in the top marginal
17 individual income tax rate otherwise authorized by
18 this subparagraph shall be contingent upon the
19 determination required to be made by the State Board
20 of Equalization pursuant to Section 2355.1A of this
21 title.

22 C. Individuals. For all taxable years beginning on or after
23 January 1, 2024, and except as provided pursuant to the provisions
24 of subsection D of this section, a tax is hereby imposed upon the
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1 Oklahoma taxable income of every resident or nonresident individual,
2 which tax shall be computed as follows:

3 1. Single individuals and married individuals filing
4 separately:

- 5 (a) ~~0.25%~~ 0.00% tax on first \$1,000.00 or part thereof,
- 6 (b) ~~0.75%~~ 0.5% tax on next \$1,500.00 or part thereof,
- 7 (c) ~~1.75%~~ 1.5% tax on next \$1,250.00 or part thereof,
- 8 (d) ~~2.75%~~ 2.5% tax on next \$1,150.00 or part thereof,
- 9 (e) ~~3.75%~~ 3.5% tax on next \$2,300.00 or part thereof,
- 10 (f) ~~4.75%~~ 4.5% tax on the remainder.

11 2. Married individuals filing jointly and surviving spouse to
12 the extent and in the manner that a surviving spouse is permitted to
13 file a joint return under the provisions of the Internal Revenue
14 Code and heads of households as defined in the Internal Revenue
15 Code:

- 16 (a) ~~0.25%~~ 0.00% tax on first \$2,000.00 or part thereof,
- 17 (b) ~~0.75%~~ 0.5% tax on next \$3,000.00 or part thereof,
- 18 (c) ~~1.75%~~ 1.5% tax on next \$2,500.00 or part thereof,
- 19 (d) ~~2.75%~~ 2.5% tax on next \$2,300.00 or part thereof,
- 20 (e) ~~3.75%~~ 3.5% tax on next \$4,600.00 or part thereof,
- 21 (f) ~~4.75%~~ 4.5% tax on the remainder.

22 No deduction for federal income taxes paid shall be allowed to
23 any taxpayer to arrive at taxable income.

1 D. 1. "Qualifying cumulative revenue growth" means an increase
2 of at least Three Hundred Million Dollars (\$300,000,000.00) in
3 excess of the applicable base year amount, which shall include any
4 decrease in the total collections amount for any fiscal year which
5 reflects a decline in total revenue collections. If the total
6 revenue collections equal or exceed Three Hundred Million Dollars
7 (\$300,000,000.00) using either a comparison of one fiscal year to
8 the next succeeding fiscal year or equal or exceed Three Hundred
9 Million Dollars (\$300,000,000.00) as a result of multiple successive
10 comparisons, which shall take into account any comparison which
11 results in an increase of less than Three Hundred Million Dollars
12 (\$300,000,000.00) or which results in a decline in total collections
13 from the preceding year, then if such cumulative net total,
14 including any year in which total collections declined, equals or
15 exceeds Three Hundred Million Dollars (\$300,000,000.00) then the
16 next decrease in the income tax rates as described by this
17 subsection shall be implemented.

18 2. "Total revenue collections" includes all revenue sources
19 reported in the annual report of the Oklahoma Tax Commission
20 excluding any tax collected by the Commission from levies imposed by
21 counties, cities, towns or any other entity of local government.

22 3. Except as otherwise provided by this subsection, for all
23 taxable years beginning on or after January 1, 2025, a tax is hereby
24 imposed upon the Oklahoma taxable income of every resident or
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1 nonresident individual, which tax shall be as prescribed in
2 paragraphs 1 and 2 of subsection C of this section reduced in each
3 of the rates as prescribed by paragraph 1 or paragraph 2 of
4 subsection C of this section by twenty-five hundredths of one
5 percent (0.0025), expressed as a decimal, for purposes of the
6 reduction, for any income tax year beginning on the January 1 date
7 immediately succeeding a fiscal year ending on the preceding June 30
8 for which the State Board of Equalization makes a certification, at
9 its December meeting, that total revenue collections for such fiscal
10 year exceeded the qualifying cumulative revenue growth by Three
11 Hundred Million Dollars (\$300,000,000.00) or more.

12 4. The State Board of Equalization, at its December meeting
13 each year, shall make a determination regarding the possibility of a
14 decrease in the income tax rate otherwise prescribed by this
15 subsection. If the revenue conditions prescribed by this subsection
16 are met, which shall be included as part of the findings of the
17 State Board of Equalization, then the income tax rates otherwise
18 prescribed by paragraphs 1 and 2 of subsection C of this section
19 shall be reduced by twenty-five hundredths of one percent (0.0025%)
20 effective on January 1 of the calendar year immediately following
21 the year during which the State Board of Equalization makes the
22 finding that qualifying cumulative revenue growth as defined by this
23 subsection is sufficient to reduce the income tax rates otherwise
24 prescribed by paragraphs 1 and 2 of subsection C of this section.

1 For purposes of this subsection, the total collections from all
2 revenue sources for the fiscal year ending June 30, 2023, shall be
3 the initial base year amount.

4 5. Beginning with the December 2024 meeting of the State Board
5 of Equalization and at each succeeding December meeting, the State
6 Board shall compare the total revenue collections amount for the
7 fiscal year ending on the immediately preceding June 30 date, to the
8 applicable base year total collections amount. If there is an
9 increase in the total collections amount equal to or greater than
10 Three Hundred Million Dollars (\$300,000,000.00) compared to the
11 initial base year total collections amount, the income tax rates
12 otherwise prescribed by paragraphs 1 and 2 of subsection C of this
13 section shall be reduced effective January 1 of the immediately
14 succeeding calendar year. If there is not an increase of at least
15 Three Hundred Million Dollars (\$300,000,000.00) in the total
16 collections amount as reflected in the December certification of
17 total collections compared to the applicable base year total
18 collection amount, there shall be no modification of such income tax
19 rates.

20 6. For any fiscal year with respect to which the qualifying
21 cumulative revenue growth as determined at the December meeting
22 equals or exceeds the applicable base year total collection amount
23 by Three Hundred Million Dollars (\$300,000,000.00) or more, the
24 applicable base year total collections amount shall be adjusted for
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1 purposes of any succeeding comparison by adding Three Hundred
2 Million Dollars (\$300,000,000.00) plus the increment of all revenues
3 exceeding Three Hundred Million Dollars (\$300,000,000.00) to the
4 prior base year amount and the resulting sum shall become the
5 adjusted base year amount for purposes of future computations
6 required by this subsection.

7 7. After an adjustment is made to any base year amount, a
8 reduction in the income tax rate otherwise prescribed pursuant to
9 this subsection, in increments of twenty-five hundredths of one
10 percent (0.0025%), may only occur if there is a subsequent increase
11 of Three Hundred Million Dollars (\$300,000,000.00) or more in the
12 qualifying cumulative revenue growth as defined by this subsection.
13 Subject to the determinations regarding the increase in total
14 collections as defined by this subsection, the reductions prescribed
15 by this subsection shall be made for all applicable income tax years
16 until the rates of individual income tax as prescribed by paragraphs
17 1 and 2 of subsection C of this section equals three percent (3.0%).

18 8. If the individual income tax rate as prescribed by
19 subparagraph f of paragraphs 1 and 2 of subsection C of this section
20 reaches three percent (3.0%), such income tax rate shall be in
21 effect for the income tax year beginning on the January 1 date
22 immediately following the income tax year for which the rate of
23 income tax was three and twenty-five hundredths percent (3.25%), and
24 shall be reduced each succeeding income tax year by thirty one-

1 hundredths of one percent (0.003) expressed as a decimal for
2 purposes of the subtraction. Such reduction shall be made for each
3 of the ten (10) succeeding income tax years, each beginning January
4 1, until the rate of individual income tax equals zero percent (0%).

5 E. Nonresident aliens. In lieu of the rates set forth in
6 ~~subsection A above~~ this section, there shall be imposed on
7 nonresident aliens, as defined in the Internal Revenue Code, a tax
8 of eight percent (8%) instead of thirty percent (30%) as used in the
9 Internal Revenue Code, with respect to the Oklahoma taxable income
10 of such nonresident aliens as determined under the provision of the
11 Oklahoma Income Tax Act.

12 Every payer of amounts covered by this subsection shall deduct
13 and withhold from such amounts paid each payee an amount equal to
14 eight percent (8%) thereof. Every payer required to deduct and
15 withhold taxes under this subsection shall for each quarterly period
16 on or before the last day of the month following the close of each
17 such quarterly period, pay over the amount so withheld as taxes to
18 the Tax Commission, and shall file a return with each such payment.
19 Such return shall be in such form as the Tax Commission shall
20 prescribe. Every payer required under this subsection to deduct and
21 withhold a tax from a payee shall, as to the total amounts paid to
22 each payee during the calendar year, furnish to such payee, on or
23 before January 31, of the succeeding year, a written statement
24 showing the name of the payer, the name of the payee and the payee's
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1 Social Security account number, if any, the total amount paid
2 subject to taxation, and the total amount deducted and withheld as
3 tax and such other information as the Tax Commission may require.

4 Any payer who fails to withhold or pay to the Tax Commission any
5 sums herein required to be withheld or paid shall be personally and
6 individually liable therefor to the State of Oklahoma.

7 ~~E.~~ F. Corporations. For all taxable years beginning after
8 December 31, 2021, a tax is hereby imposed upon the Oklahoma taxable
9 income of every corporation doing business within this state or
10 deriving income from sources within this state in an amount equal to
11 four percent (4%) thereof.

12 There shall be no additional Oklahoma income tax imposed on
13 accumulated taxable income or on undistributed personal holding
14 company income as those terms are defined in the Internal Revenue
15 Code.

16 ~~F.~~ G. Certain foreign corporations. In lieu of the tax imposed
17 in the first paragraph of subsection ~~D~~ F of this section, for all
18 taxable years beginning after December 31, 2021, there shall be
19 imposed on foreign corporations, as defined in the Internal Revenue
20 Code, a tax of four percent (4%) instead of thirty percent (30%) as
21 used in the Internal Revenue Code, where such income is received
22 from sources within Oklahoma, in accordance with the provisions of
23 the Internal Revenue Code and the Oklahoma Income Tax Act.

1 Every payer of amounts covered by this subsection shall deduct
2 and withhold from such amounts paid each payee an amount equal to
3 four percent (4%) thereof. Every payer required to deduct and
4 withhold taxes under this subsection shall for each quarterly period
5 on or before the last day of the month following the close of each
6 such quarterly period, pay over the amount so withheld as taxes to
7 the Tax Commission, and shall file a return with each such payment.
8 Such return shall be in such form as the Tax Commission shall
9 prescribe. Every payer required under this subsection to deduct and
10 withhold a tax from a payee shall, as to the total amounts paid to
11 each payee during the calendar year, furnish to such payee, on or
12 before January 31, of the succeeding year, a written statement
13 showing the name of the payer, the name of the payee and the payee's
14 Social Security account number, if any, the total amounts paid
15 subject to taxation, the total amount deducted and withheld as tax
16 and such other information as the Tax Commission may require. Any
17 payer who fails to withhold or pay to the Tax Commission any sums
18 herein required to be withheld or paid shall be personally and
19 individually liable therefor to the State of Oklahoma.

20 ~~G.~~ H. Fiduciaries. A tax is hereby imposed upon the Oklahoma
21 taxable income of every trust and estate at the same rates as are
22 provided in subsection B ~~or~~, C, or D of this section for single
23 individuals. Fiduciaries are not allowed a deduction for any
24 federal income tax paid.
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1 ~~H.~~ I. Tax rate tables. For all taxable years beginning after
2 December 31, 1991, in lieu of the tax imposed by subsection A, B ~~or~~,
3 C, or D of this section, as applicable there is hereby imposed for
4 each taxable year on the taxable income of every individual, whose
5 taxable income for such taxable year does not exceed the ceiling
6 amount, a tax determined under tables, applicable to such taxable
7 year which shall be prescribed by the Tax Commission and which shall
8 be in such form as it determines appropriate. In the table so
9 prescribed, the amounts of the tax shall be computed on the basis of
10 the rates prescribed by subsection A, B ~~or~~, C, or D of this section.
11 For purposes of this subsection, the term "ceiling amount" means,
12 with respect to any taxpayer, the amount determined by the Tax
13 Commission for the tax rate category in which such taxpayer falls.

14 SECTION 2. This act shall become effective January 1, 2024.

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