

1 STATE OF OKLAHOMA

2 2nd Session of the 59th Legislature (2024)

3 HOUSE BILL 3674

By: Lepak

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6 AS INTRODUCED

7 An Act relating to revenue and taxation; amending 68  
8 O.S. 2021, Section 2355, as last amended by Section  
9 1, Chapter 27, 1st Extraordinary Session, O.S.L. 2023  
10 (68 O.S. Supp. 2023, Section 2355), which relates to  
11 income tax levies; reducing income tax rate;  
12 providing for revenue computations by the State Board  
13 of Equalization; providing for reductions in certain  
14 income tax rate based upon increases in total  
15 collections; defining term; prescribing formula for  
16 further reductions of income tax rates; providing for  
17 reductions until individual income tax rate equals  
18 zero; and providing an effective date.

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

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

24 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

1 nonresident individual, which tax shall be computed at the option of  
2 the taxpayer under one of the two following methods:

3 1. METHOD 1.

4 a. Single individuals and married individuals filing  
5 separately not deducting federal income tax:

6 (1) 1/2% tax on first \$1,000.00 or part thereof,

7 (2) 1% tax on next \$1,500.00 or part thereof,

8 (3) 2% tax on next \$1,250.00 or part thereof,

9 (4) 3% tax on next \$1,150.00 or part thereof,

10 (5) 4% tax on next \$1,300.00 or part thereof,

11 (6) 5% tax on next \$1,500.00 or part thereof,

12 (7) 6% tax on next \$2,300.00 or part thereof, and

13 (8) (a) for taxable years beginning after December  
14 31, 1998, and before January 1, 2002, 6.75%  
15 tax on the remainder,

16 (b) for taxable years beginning on or after  
17 January 1, 2002, and before January 1, 2004,  
18 7% tax on the remainder, and

19 (c) for taxable years beginning on or after  
20 January 1, 2004, 6.65% tax on the remainder.

21 b. Married individuals filing jointly and surviving  
22 spouse to the extent and in the manner that a  
23 surviving spouse is permitted to file a joint return  
24 under the provisions of the Internal Revenue Code and  
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1 heads of households as defined in the Internal Revenue  
2 Code not deducting federal income tax:

- 3 (1) 1/2% tax on first \$2,000.00 or part thereof,  
4 (2) 1% tax on next \$3,000.00 or part thereof,  
5 (3) 2% tax on next \$2,500.00 or part thereof,  
6 (4) 3% tax on next \$2,300.00 or part thereof,  
7 (5) 4% tax on next \$2,400.00 or part thereof,  
8 (6) 5% tax on next \$2,800.00 or part thereof,  
9 (7) 6% tax on next \$6,000.00 or part thereof, and  
10 (8) (a) for taxable years beginning after December  
11 31, 1998, and before January 1, 2002, 6.75%  
12 tax on the remainder,  
13 (b) for taxable years beginning on or after  
14 January 1, 2002, and before January 1, 2004,  
15 7% tax on the remainder, and  
16 (c) for taxable years beginning on or after  
17 January 1, 2004, 6.65% tax on the remainder.

18 2. METHOD 2.

19 a. Single individuals and married individuals filing  
20 separately deducting federal income tax:

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

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

- 14 (1) 1/2% tax on the first \$2,000.00 or part thereof,
- 15 (2) 1% tax on the next \$3,000.00 or part thereof,
- 16 (3) 2% tax on the next \$2,500.00 or part thereof,
- 17 (4) 3% tax on the next \$1,400.00 or part thereof,
- 18 (5) 4% tax on the next \$1,500.00 or part thereof,
- 19 (6) 5% tax on the next \$1,600.00 or part thereof,
- 20 (7) 6% tax on the next \$1,250.00 or part thereof,
- 21 (8) 7% tax on the next \$1,750.00 or part thereof,
- 22 (9) 8% tax on the next \$3,000.00 or part thereof,
- 23 (10) 9% tax on the next \$6,000.00 or part thereof, and
- 24 (11) 10% tax on the remainder.

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

8 1. Single individuals and married individuals filing  
9 separately:

- 10 (a) 1/2% tax on first \$1,000.00 or part thereof,
- 11 (b) 1% tax on next \$1,500.00 or part thereof,
- 12 (c) 2% tax on next \$1,250.00 or part thereof,
- 13 (d) 3% tax on next \$1,150.00 or part thereof,
- 14 (e) 4% tax on next \$2,300.00 or part thereof,
- 15 (f) 5% tax on next \$1,500.00 or part thereof,
- 16 (g) 5.50% tax on the remainder for the 2008 tax year and  
17 any subsequent tax year unless the rate prescribed by  
18 subparagraph (h) of this paragraph is in effect, and
- 19 (h) 5.25% tax on the remainder for the 2009 and subsequent  
20 tax years. The decrease in the top marginal  
21 individual income tax rate otherwise authorized by  
22 this subparagraph shall be contingent upon the  
23 determination required to be made by the State Board  
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1 of Equalization pursuant to Section 2355.1A of this  
2 title.

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

- 8 (a) 1/2% tax on first \$2,000.00 or part thereof,
- 9 (b) 1% tax on next \$3,000.00 or part thereof,
- 10 (c) 2% tax on next \$2,500.00 or part thereof,
- 11 (d) 3% tax on next \$2,300.00 or part thereof,
- 12 (e) 4% tax on next \$2,400.00 or part thereof,
- 13 (f) 5% tax on next \$2,800.00 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.

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

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

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

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

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

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

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

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

15       4. The State Board of Equalization, at its December meeting  
16 each year, shall make a determination regarding the possibility of a  
17 decrease in the income tax rate otherwise prescribed by this  
18 subsection. If the revenue conditions prescribed by this subsection  
19 are met, which shall be included as part of the findings of the  
20 State Board of Equalization, then the income tax rates otherwise  
21 prescribed by paragraphs 1 and 2 of subsection C of this section  
22 shall be reduced by twenty-five hundredths of one percent (0.0025%)  
23 effective on January 1 of the calendar year immediately following  
24 the year during which the State Board of Equalization makes the  
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1 finding that qualifying cumulative revenue growth as defined by this  
2 subsection is sufficient to reduce the income tax rates otherwise  
3 prescribed by paragraphs 1 and 2 of subsection C of this section.  
4 For purposes of this subsection, the total collections from all  
5 revenue sources for the fiscal year ending June 30, 2023, shall be  
6 the initial base year amount.

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

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

10 7. After an adjustment is made to any base year amount, a  
11 reduction in the income tax rate otherwise prescribed pursuant to  
12 this subsection, in increments of twenty-five hundredths of one  
13 percent (0.0025%), may only occur if there is a subsequent increase  
14 of Three Hundred Million Dollars (\$300,000,000.00) or more in the  
15 qualifying cumulative revenue growth as defined by this subsection.  
16 Subject to the determinations regarding the increase in total  
17 collections as defined by this subsection, the reductions prescribed  
18 by this subsection shall be made for all applicable income tax years  
19 until the rates of individual income tax as prescribed by paragraphs  
20 1 and 2 of subsection C of this section equals three percent (3.0%).

21 8. If the individual income tax rate as prescribed by  
22 subparagraph f of paragraphs 1 and 2 of subsection C of this section  
23 reaches three percent (3.0%), such income tax rate shall be in  
24 effect for the income tax year beginning on the January 1 date  
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1 immediately following the income tax year for which the rate of  
2 income tax was three and twenty-five hundredths percent (3.25%), and  
3 shall be reduced each succeeding income tax year by thirty one-  
4 hundredths of one percent (0.003) expressed as a decimal for  
5 purposes of the subtraction. Such reduction shall be made for each  
6 of the ten (10) succeeding income tax years, each beginning January  
7 1, until the rate of individual income tax equals zero percent (0%).

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

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

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

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

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

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

22 G. H. Fiduciaries. A tax is hereby imposed upon the Oklahoma  
23 taxable income of every trust and estate at the same rates as are  
24 provided in subsection B ~~or~~, C, or D of this section for single  
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1 individuals. Fiduciaries are not allowed a deduction for any  
2 federal income tax paid.

3 ~~H.~~ I. Tax rate tables. For all taxable years beginning after  
4 December 31, 1991, in lieu of the tax imposed by subsection A, B ~~or~~,  
5 C, or D of this section, as applicable there is hereby imposed for  
6 each taxable year on the taxable income of every individual, whose  
7 taxable income for such taxable year does not exceed the ceiling  
8 amount, a tax determined under tables, applicable to such taxable  
9 year which shall be prescribed by the Tax Commission and which shall  
10 be in such form as it determines appropriate. In the table so  
11 prescribed, the amounts of the tax shall be computed on the basis of  
12 the rates prescribed by subsection A, B ~~or~~, C, or D of this section.  
13 For purposes of this subsection, the term "ceiling amount" means,  
14 with respect to any taxpayer, the amount determined by the Tax  
15 Commission for the tax rate category in which such taxpayer falls.

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

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