

1 STATE OF OKLAHOMA

2 2nd Session of the 60th Legislature (2026)

3 COMMITTEE SUBSTITUTE

4 FOR

5 HOUSE BILL NO. 3319

6 By: Eaves

7 COMMITTEE SUBSTITUTE

8 An Act relating to revenue and taxation; amending 68
9 O.S. 2021, Section 205.2, as amended by Section 1,
10 Chapter 277, O.S.L. 2024 (68 O.S. Supp. 2025, Section
11 205.2), which relates to claims by state agencies,
12 municipal courts, district courts, or public housing
13 authorities against state income tax refunds;
14 modifying definition of qualified entity to include
15 municipal public authorities and public trusts;
16 allowing for municipal public authorities to file a
17 claim for collection of delinquent utility charges;
18 prohibiting municipal public authorities from filing
19 a claim for collection of medical debt; and providing
20 an effective date.

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

22 SECTION 1. AMENDATORY 68 O.S. 2021, Section 205.2, as
23 amended by Section 1, Chapter 277, O.S.L. 2024 (68 O.S. Supp. 2025,
24 Section 205.2), is amended to read as follows:

Section 205.2. A. For purposes of this section, a "qualified
entity" shall mean a:

1. State agency;
2. Municipal court;

1 3. District court;

2 4. Public housing authority operating pursuant to Section 1062
3 of Title 63 of the Oklahoma Statutes;

4 5. District attorney seeking to collect unpaid court-ordered
5 monetary obligations; ~~or~~

6 6. Any municipal public authority or public trust created
7 pursuant to Section 176 of Title 60 of the Oklahoma Statutes or
8 other applicable law, the beneficiary of which is a municipality of
9 this state; or

10 7. The designee of an entity described in paragraphs 1 through
11 ~~5~~ 6 of this subsection.

12 B. A qualified entity seeking to collect a debt, unpaid
13 municipal or district court fines and costs or final judgment of at
14 least Fifty Dollars (\$50.00) from an individual who has filed a
15 state income tax return may file a claim with the Oklahoma Tax
16 Commission requesting that the amount owed to the qualified entity
17 be deducted from any state income tax refund due to that individual.

18 In addition to any debt authorized for collection pursuant to this
19 section, a qualified entity that is a municipal public authority or
20 public trust may file a claim with the Oklahoma Tax Commission
21 requesting that the amount owed to the qualified entity for
22 delinquent utility charges, including, but not limited to, water
23 sewer, sanitation, and related service fees be deducted from any
24 state income tax refund due to that individual, provided that the

1 utility charges are at least ninety (90) days delinquent and the
2 utility service associated with the delinquent account has been
3 lawfully disconnected for nonpayment. A qualified entity that is a
4 municipal public authority or public trust shall not file a claim
5 pursuant to this section for any amount owed to the municipal public
6 authority or public trust for medical services or medical treatment
7 received by an individual. The claim shall be filed electronically
8 in a form prescribed by the Tax Commission and shall contain
9 information necessary to identify the person owing the debt,
10 including the full name and Social Security number of the debtor.

11 1. Upon receiving a claim from a qualified entity, the Tax
12 Commission shall deduct the claim amount, plus collection expenses
13 as provided in this section, from the tax refund due to the debtor
14 and transfer the amount to the qualified entity. Provided, the Tax
15 Commission need not report available funds of less than Fifty
16 Dollars (\$50.00).

17 2. The qualified entity shall send notice to the debtor by
18 regular mail at the last-known address of the debtor as shown by the
19 records of the Tax Commission when seeking to collect a debt not
20 reduced to final judgment. The qualified entity shall send notice
21 to the judgment debtor or defendant by first-class mail at the last-
22 known address of the judgment debtor or defendant as shown by the
23 records of the Tax Commission when seeking to collect a final
24 judgment or unpaid court fines and costs. The Tax Commission shall

1 provide in an agreed electronic format to the Department of Human
2 Services the amount withheld by the Tax Commission, the home address
3 and the Social Security number of the taxpayer. The notice shall
4 state:

- 5 a. that a claim has been filed with the Tax Commission
6 for any portion of the tax refund due to the debtor or
7 defendant which would satisfy the debt, unpaid court
8 fines and costs, or final judgment in full or in part,
- 9 b. the basis for the claim,
- 10 c. that the Tax Commission has deducted an amount from
11 the refund and remitted it to such qualified entity,
- 12 d. that the debtor or defendant has the right to contest
13 the claim by sending a written request to the
14 qualified entity for a hearing to protest the claim,
15 and if the debtor or defendant fails to apply for a
16 hearing within sixty (60) days after the date of the
17 mailing of the notice, the debtor or defendant shall
18 be deemed to have waived his or her opportunity to
19 contest the claim. Provided, if the claim was filed
20 by the Department of Human Services, the notice shall
21 state that the debtor must contest the claim by
22 sending a written request to the Department within
23 thirty (30) days after the date of the mailing of the
24 notice, and

1 e. that a collection expense of five percent (5%) of the
2 gross proceeds owed to the qualified entity has been
3 charged to the debtor or defendant and withheld from
4 the refund.

5 3. If the qualified entity determines that a refund is due to
6 the taxpayer, the qualified entity shall reimburse the amount
7 claimed plus the five-percent collection expense to the taxpayer.
8 The qualified entity may request reimbursement of the two-percent
9 collection expense retained by the Tax Commission. Such request
10 must be made within ninety (90) days of reimbursement to the
11 taxpayer. If timely requested, the Tax Commission shall make such
12 reimbursement to the qualified entity within ninety (90) days of the
13 request.

14 4. In the case of a joint return, the notice shall state:

- 15 a. the name of any taxpayer named in the return against
16 whom no debt, no unpaid court fines and costs, or
17 final judgment is claimed,
18 b. the fact that a debt, unpaid court fines and costs, or
19 final judgment is not claimed against the taxpayer,
20 c. the fact that the taxpayer is entitled to receive a
21 refund if it is due regardless of the debt, court
22 fines and costs, or final judgment asserted against
23 the debtor or defendant,
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1 d. that in order to obtain the refund due, the taxpayer
2 must apply, in writing, for a hearing with the
3 qualified entity named in the notice within sixty (60)
4 days after the date of the mailing of the notice.

5 Provided, if the claim was filed by the Department of
6 Human Services, the notice shall state that the
7 taxpayer must apply, in writing, for a hearing with
8 the Department within thirty (30) days after the date
9 of the mailing of the notice, and

10 e. if the taxpayer against whom no debt, no unpaid court
11 fines and costs, or final judgment is claimed fails to
12 apply in writing for a hearing within sixty (60) days
13 after the mailing of the notice, the taxpayer shall
14 have waived his or her right to a refund. Provided,
15 if the claim was filed by the Department of Human
16 Services, the notice shall state that if the taxpayer
17 fails to apply in writing for a hearing with the
18 Department within thirty (30) days after the date of
19 the mailing of the notice, the taxpayer shall have
20 waived his or her right to a refund.

21 C. If the qualified entity asserting the claim receives a
22 written request for a hearing from the debtor or taxpayer against
23 whom no debt, no court fines and costs, or final judgment is
24 claimed, the qualified entity shall grant a hearing according to the

1 provisions of the Administrative Procedures Act. It shall be
2 determined at the hearing whether the claimed sum is correct or
3 whether an adjustment to the claim shall be made. Pending final
4 determination at the hearing of the validity of the debt, unpaid
5 court fines and costs, or final judgment asserted by the qualified
6 entity, no action shall be taken in furtherance of the collection of
7 the debt, unpaid court fines and costs, or final judgment. Appeals
8 from actions taken at the hearing shall be in accordance with the
9 provisions of the Administrative Procedures Act.

10 D. Upon final determination at a hearing, as provided for in
11 subsection C of this section, of the amount of the debt, unpaid
12 court fines and costs, or final judgment, or upon failure of the
13 debtor or taxpayer against whom no debt, no unpaid court fines and
14 costs, or final judgment is claimed to request such a hearing, the
15 qualified entity shall apply the amount of the claim to the debt
16 owed. Any amounts held by the qualified entity in excess of the
17 final determination of the debt and collection expense shall be
18 refunded by the qualified entity to the taxpayer. However, if the
19 tax refund due is inadequate to pay the collection expense and debt,
20 unpaid court fines and costs, or final judgment, the balance due the
21 qualified entity shall be a continuing debt or final judgment until
22 paid in full.

23 E. Upon receipt of a claim as provided in subsection A of this
24 section, the Tax Commission shall:

1 1. Deduct from the refund five percent (5%) of the gross
2 proceeds owed to the qualified entity, and distribute it by
3 retaining two percent (2%) and transferring three percent (3%) to
4 the qualified entity, as an expense of collection. The two percent
5 (2%) retained by the Tax Commission shall be deposited in the
6 Oklahoma Tax Commission Fund;

7 2. Transfer the amount of the claimed debt, unpaid court fines
8 and costs, or final judgment or so much thereof as is available to
9 the qualified entity;

10 3. Notify the debtor in writing as to how the refund was
11 applied; and

12 4. Refund to the debtor any balance remaining after deducting
13 the collection expense and debt, unpaid court fines and costs, or
14 final judgment.

15 F. The Tax Commission shall deduct from any state tax refund
16 due to a taxpayer the amount of delinquent state tax and penalty and
17 interest thereon, which such taxpayer owes pursuant to any state tax
18 law prior to payment of such refund.

19 G. The Tax Commission shall have first priority over all other
20 qualified entities when the Tax Commission is collecting a debt,
21 court fines and costs, or final judgment pursuant to the provisions
22 of this section. Subsequent to the Tax Commission priority, a claim
23 filed by the Department of Human Services for the collection of
24 child support and spousal support shall have priority over all other

1 claims filed pursuant to this section. Priority in multiple claims
2 by other qualified entities pursuant to the provisions of this
3 section shall be in the order in time in which the Tax Commission
4 receives the claim from the qualified entities required by the
5 provisions of subsection B of this section.

6 H. The Tax Commission shall prescribe or approve forms and
7 promulgate rules and regulations for implementing the provisions of
8 this section.

9 I. The information obtained by a qualified entity from the Tax
10 Commission pursuant to the provisions of this section shall be used
11 only to aid in collection of the debt, unpaid court fines and costs,
12 or final judgment owed to the qualified entity. Disclosure of the
13 information for any other purpose shall constitute a misdemeanor.
14 Any employee of a qualified entity or person convicted of violating
15 this provision shall be subject to a fine not exceeding One Thousand
16 Dollars (\$1,000.00) or imprisonment in the county jail for a term
17 not exceeding one (1) year, or both fine and imprisonment and, if
18 still employed by the qualified entity, shall be dismissed from
19 employment.

20 J. The Tax Commission may employ the procedures provided by
21 this section in order to collect a debt owed to the Internal Revenue
22 Service if the Internal Revenue Service requires such procedure as a
23 condition to providing information to the Commission concerning
24 federal income tax.

1 K. The provisions of this section shall not apply to claims
2 filed under the provisions of Section 2906 or Section 5011 of this
3 title or Section 28-101 of Title 70 of the Oklahoma Statutes.

4 SECTION 2. This act shall become effective November 1, 2026.

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