

1 STATE OF OKLAHOMA

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

3 POLICY COMMITTEE
4 RECOMMENDATION

5 FOR

6 HOUSE BILL NO. 3319

By: Eaves

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8 POLICY COMMITTEE RECOMMENDATION

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

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

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

24 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. The claim shall be filed
4 electronically in a form prescribed by the Tax Commission and shall
5 contain information necessary to identify the person owing the debt,
6 including the full name and Social Security number of the debtor.

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

13 2. The qualified entity shall send notice to the debtor by
14 regular mail at the last-known address of the debtor as shown by the
15 records of the Tax Commission when seeking to collect a debt not
16 reduced to final judgment. The qualified entity shall send notice
17 to the judgment debtor or defendant by first-class mail at the last-
18 known address of the judgment debtor or defendant as shown by the
19 records of the Tax Commission when seeking to collect a final
20 judgment or unpaid court fines and costs. The Tax Commission shall
21 provide in an agreed electronic format to the Department of Human
22 Services the amount withheld by the Tax Commission, the home address
23 and the Social Security number of the taxpayer. The notice shall
24 state:

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

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

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

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

1 Human Services, the notice shall state that the
2 taxpayer must apply, in writing, for a hearing with
3 the Department within thirty (30) days after the date
4 of the mailing of the notice, and

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

16 C. If the qualified entity asserting the claim receives a
17 written request for a hearing from the debtor or taxpayer against
18 whom no debt, no court fines and costs, or final judgment is
19 claimed, the qualified entity shall grant a hearing according to the
20 provisions of the Administrative Procedures Act. It shall be
21 determined at the hearing whether the claimed sum is correct or
22 whether an adjustment to the claim shall be made. Pending final
23 determination at the hearing of the validity of the debt, unpaid
24 court fines and costs, or final judgment asserted by the qualified

1 entity, no action shall be taken in furtherance of the collection of
2 the debt, unpaid court fines and costs, or final judgment. Appeals
3 from actions taken at the hearing shall be in accordance with the
4 provisions of the Administrative Procedures Act.

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

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

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

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

6 3. Notify the debtor in writing as to how the refund was
7 applied; and

8 4. Refund to the debtor any balance remaining after deducting
9 the collection expense and debt, unpaid court fines and costs, or
10 final judgment.

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

15 G. The Tax Commission shall have first priority over all other
16 qualified entities when the Tax Commission is collecting a debt,
17 court fines and costs, or final judgment pursuant to the provisions
18 of this section. Subsequent to the Tax Commission priority, a claim
19 filed by the Department of Human Services for the collection of
20 child support and spousal support shall have priority over all other
21 claims filed pursuant to this section. Priority in multiple claims
22 by other qualified entities pursuant to the provisions of this
23 section shall be in the order in time in which the Tax Commission
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1 receives the claim from the qualified entities required by the
2 provisions of subsection B of this section.

3 H. The Tax Commission shall prescribe or approve forms and
4 promulgate rules and regulations for implementing the provisions of
5 this section.

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

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

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

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

60-2-16609 GRS 02/19/26