

1                   **HOUSE OF REPRESENTATIVES - FLOOR VERSION**

2                                   STATE OF OKLAHOMA

3                                   2nd Session of the 60th Legislature (2026)

4 COMMITTEE SUBSTITUTE  
5 FOR  
6 HOUSE BILL NO. 3319

By: Eaves of the House

and

Woods of the Senate

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10                                   COMMITTEE SUBSTITUTE

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

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

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

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

3 1. State agency;

4 2. Municipal court;

5 3. District court;

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

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

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

14 7. The designee of an entity described in paragraphs 1 through  
15 ~~5~~ 6 of this subsection.

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

22 In addition to any debt authorized for collection pursuant to this  
23 section, a qualified entity that is a municipal public authority or  
24 public trust may file a claim with the Oklahoma Tax Commission

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

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

21 2. The qualified entity shall send notice to the debtor by  
22 regular mail at the last-known address of the debtor as shown by the  
23 records of the Tax Commission when seeking to collect a debt not  
24 reduced to final judgment. The qualified entity shall send notice

1 to the judgment debtor or defendant by first-class mail at the last-  
2 known address of the judgment debtor or defendant as shown by the  
3 records of the Tax Commission when seeking to collect a final  
4 judgment or unpaid court fines and costs. The Tax Commission shall  
5 provide in an agreed electronic format to the Department of Human  
6 Services the amount withheld by the Tax Commission, the home address  
7 and the Social Security number of the taxpayer. The notice shall  
8 state:

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

1 state that the debtor must contest the claim by  
2 sending a written request to the Department within  
3 thirty (30) days after the date of the mailing of the  
4 notice, and

- 5 e. that a collection expense of five percent (5%) of the  
6 gross proceeds owed to the qualified entity has been  
7 charged to the debtor or defendant and withheld from  
8 the refund.

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

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

- 19 a. the name of any taxpayer named in the return against  
20 whom no debt, no unpaid court fines and costs, or  
21 final judgment is claimed,
- 22 b. the fact that a debt, unpaid court fines and costs, or  
23 final judgment is not claimed against the taxpayer,

1 c. the fact that the taxpayer is entitled to receive a  
2 refund if it is due regardless of the debt, court  
3 fines and costs, or final judgment asserted against  
4 the debtor or defendant,

5 d. that in order to obtain the refund due, the taxpayer  
6 must apply, in writing, for a hearing with the  
7 qualified entity named in the notice within sixty (60)  
8 days after the date of the mailing of the notice.  
9 Provided, if the claim was filed by the Department of  
10 Human Services, the notice shall state that the  
11 taxpayer must apply, in writing, for a hearing with  
12 the Department within thirty (30) days after the date  
13 of the mailing of the notice, and

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

1 C. If the qualified entity asserting the claim receives a  
2 written request for a hearing from the debtor or taxpayer against  
3 whom no debt, no court fines and costs, or final judgment is  
4 claimed, the qualified entity shall grant a hearing according to the  
5 provisions of the Administrative Procedures Act. It shall be  
6 determined at the hearing whether the claimed sum is correct or  
7 whether an adjustment to the claim shall be made. Pending final  
8 determination at the hearing of the validity of the debt, unpaid  
9 court fines and costs, or final judgment asserted by the qualified  
10 entity, no action shall be taken in furtherance of the collection of  
11 the debt, unpaid court fines and costs, or final judgment. Appeals  
12 from actions taken at the hearing shall be in accordance with the  
13 provisions of the Administrative Procedures Act.

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

1 qualified entity shall be a continuing debt or final judgment until  
2 paid in full.

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

5 1. Deduct from the refund five percent (5%) of the gross  
6 proceeds owed to the qualified entity, and distribute it by  
7 retaining two percent (2%) and transferring three percent (3%) to  
8 the qualified entity, as an expense of collection. The two percent  
9 (2%) retained by the Tax Commission shall be deposited in the  
10 Oklahoma Tax Commission Fund;

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

14 3. Notify the debtor in writing as to how the refund was  
15 applied; and

16 4. Refund to the debtor any balance remaining after deducting  
17 the collection expense and debt, unpaid court fines and costs, or  
18 final judgment.

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

23 G. The Tax Commission shall have first priority over all other  
24 qualified entities when the Tax Commission is collecting a debt,

1 court fines and costs, or final judgment pursuant to the provisions  
2 of this section. Subsequent to the Tax Commission priority, a claim  
3 filed by the Department of Human Services for the collection of  
4 child support and spousal support shall have priority over all other  
5 claims filed pursuant to this section. Priority in multiple claims  
6 by other qualified entities pursuant to the provisions of this  
7 section shall be in the order in time in which the Tax Commission  
8 receives the claim from the qualified entities required by the  
9 provisions of subsection B of this section.

10 H. The Tax Commission shall prescribe or approve forms and  
11 promulgate rules and regulations for implementing the provisions of  
12 this section.

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

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1 J. The Tax Commission may employ the procedures provided by  
2 this section in order to collect a debt owed to the Internal Revenue  
3 Service if the Internal Revenue Service requires such procedure as a  
4 condition to providing information to the Commission concerning  
5 federal income tax.

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

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

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11 COMMITTEE REPORT BY: COMMITTEE ON JUDICIARY AND PUBLIC SAFETY  
12 OVERSIGHT, dated 02/26/2026 - DO PASS, As Amended.

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