

## **BILL SUMMARY**

1<sup>st</sup> Session of the 60<sup>th</sup> Legislature

<b>Bill No.:</b>	<b>HB2740</b>
<b>Version:</b>	<b>CS</b>
<b>Request Number:</b>	<b>13260</b>
<b>Author:</b>	<b>Rep. Kendrix</b>
<b>Date:</b>	<b>3/11/2025</b>
<b>Impact:</b>	<b>FY26: \$39.637 million decrease in revenue</b>
	<b>FY27: \$99.668 million decrease in revenue</b>

### **Research Analysis**

The committee substitute for HB2740 eliminates the brackets for the personal income tax and establishes a flat 4.75 percent tax rate beginning tax year 2026. The measure also eliminates personal exemptions and increases the standard deduction to \$13,550 for single filers, \$27,100 for joint filers and \$20,325 for heads of households.

Prepared By: Quyen Do

### **Fiscal Analysis**

In its current form, HB2740 proposes to replace the graduated income tax rate structure with a single rate of 4.75%. The measure also increases the standard deduction used to compute Oklahoma taxable income and eliminates personal exemptions.

The committee substitute does not modify the bill.

The Oklahoma Tax Commission has provided the following analysis:

**ESTIMATED REVENUE IMPACT:**

**FY26: \$39.637 million decrease in income tax collections.**

**FY27: \$99.668 million decrease in income tax collections.**

**ANALYSIS:** The PSCS to HB 2740 (Req. No. 12338) proposes to amend 68 O.S. § 2355 by replacing the graduated income tax rate structure with a single rate of 4.75% of Oklahoma taxable income. Additionally, this measure amends 68 O.S. § 2358, by increasing the amount of standard deduction that is allowed to compute Oklahoma taxable income and eliminating personal exemptions including the personal exemption for blind and over 65.

Charts on the following page show the current income tax brackets and current standard deduction amounts by income tax filing status, as well as the proposed standard deductions. All the proposals are effective for tax year 2026 and subsequent tax years. The effects of this proposal were estimated using the Oklahoma Individual Income Tax Microsimulation Model. The chart below shows the estimated impact by tax and fiscal year.

<b>FY EFFECT INCOME TAX 4.75% Flat Rate</b>				
<b>Increase Standard Deduction &amp; Eliminate Personal Exemptions</b>				
<b>FY CONVERSION</b>		<b>FY26</b>	<b>FY27</b>	<b>FY28</b>
Tax year 2026	-\$99,093,000	-\$39,637,000	-\$59,456,000	
Tax year 2027	-\$100,529,000		-\$40,212,000	-\$60,317,000
Tax year 2028	-\$101,826,000			-\$40,730,000
	<b>Total</b>	<b>-\$39,637,000</b>	<b>-\$99,668,000</b>	<b>-\$101,047,000</b>

Source: Oklahoma Individual Income Tax Micro-Simulation Model.

The table below reflects the current and proposed standard deductions.

<b>Filing Status</b>	<b>Standard Deduction Amount</b>	
	<b>Current</b>	<b>Proposed</b>
Married Filing Joint & Surviving Spouse	\$12,700	\$27,100
Single & Married Filing Separate	\$6,350	\$13,550
Head of Household	\$9,350	\$20,325

The tables below reflect the current individual income tax brackets for tax year 2026 and subsequent tax years.

<b>Current Law</b>				
<b>Single &amp; Married Separate Filers</b>				
<b>Taxable income</b>	<b>Pay</b>	<b>plus</b>	<b>over</b>	
\$0	\$1,000	\$0.00	0.25%	\$0
\$1,001	\$2,500	\$2.50	0.75%	\$1,000
\$2,501	\$3,750	\$13.75	1.75%	\$2,500
\$3,751	\$4,900	\$35.63	2.75%	\$3,750
\$4,901	\$7,200	\$67.25	3.75%	\$4,900
\$7,201	and above	\$153.50	4.75%	\$7,200

<b>Current Law</b>				
<b>Married Joint, Head of Household &amp; Surviving Spouse Filers</b>				
<b>Taxable income</b>	<b>Pay</b>	<b>plus</b>	<b>over</b>	
\$0	\$2,000	\$0.00	0.25%	\$0
\$2,001	\$5,000	\$5.00	0.75%	\$2,000
\$5,001	\$7,500	\$27.50	1.75%	\$5,000
\$7,501	\$9,800	\$71.25	2.75%	\$7,500
\$9,801	\$14,400	\$134.50	3.75%	\$9,800
\$14,401	and above	\$307.00	4.75%	\$14,400

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**Other Considerations**

None.

