

**BILL SUMMARY**  
2<sup>nd</sup> Session of the 60<sup>th</sup> Legislature

<b>Bill No.:</b>	<b>HB3704</b>
<b>Version:</b>	<b>INT</b>
<b>Request Number:</b>	<b>15074</b>
<b>Author:</b>	<b>Caldwell (Chad)</b>
<b>Date:</b>	<b>2/13/2026</b>
<b>Impact:</b>	<b>See OTC Analysis</b>

**Research Analysis**

HB3704 declares the state's intent to opt into the federal income tax credit for individual contributions to scholarship granting organizations (SGOs) under federal law. The bill directs the Governor to submit all required election forms, certifications, and agreements to the U.S. Treasury or IRS. OTC is also designated as the Oklahoma Tax Commission (OTC) as the administering agency and assigned the following responsibilities:

- Registering SGOs that meet federal requirements and maintain a qualified list for submission to the U.S. Treasury;
- Overseeing reporting, recordkeeping, and compliance in accordance with federal guidelines.
- Coordinating federal credit eligibility with Oklahoma's existing state tax credit for SGOs; and
- Developing rules, forms, and procedures for monitoring SGO compliance, tracking contributions, managing scholarship awards, and providing guidance to taxpayers and organizations.

Prepared By: Quyen Do

**Fiscal Analysis**

As introduced, HB3704 would require the state to participate in the federal income tax credit program for individual contributions to a Scholarship Granting Organization (SGO).

The Oklahoma Tax Commission (OTC) has provided the following analysis:

---

**ESTIMATED REVENUE IMPACT:**

**FY27: \$0**

**FY28: Unknown potential increase in income tax collections.**

**ANALYSIS:** HB 3704 proposes to require the state of Oklahoma to participate in the federal income tax credit program for individual contributions to a Scholarship Granting Organization (SGO).<sup>i</sup>

The federal SGO program authorizes a dollar-for-dollar federal income tax credit of up to \$1,700 for contributions made to an eligible SGO. Oklahoma's credit is 50% of the amount donated to a SGO, not to exceed \$1,000 for each taxpayer, \$2,000 for married taxpayers filing jointly, or \$100,000 for a legal business entity. The federal credit is reduced by the amount allowed as a credit on the Oklahoma tax return of the taxpayer. This could result in an unknown decrease in Oklahoma credits claimed, increasing the amount of Oklahoma income tax collections. The amount of tax credits shifted from state to federal is unknown and would occur in FY28 when the 2027 income tax returns are filed.

The Oklahoma Tax Commission (OTC) is required to coordinate the administration of the federal tax credit with the existing state income tax credit and ensure the SGOs comply with federal law. Any additional administrative costs are unknown; the IRS is in the process of issuing guidance to states that opt-in to the federal SGO program. The OTC will continue to evaluate any potential cost associated with either this measure or Executive Order 2026-03.

HB 3704 requires the Governor to execute and submit an election<sup>ii</sup> as required by the United States Department of the Treasury or the Internal Revenue Service (IRS) for a state to be treated as a participating state for purposes of the federal income tax credit for

Prepared By: Zach Penrod, House Fiscal Staff

**Other Considerations**

None.