

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

<b>Bill No.:</b>	<b>SB299</b>
<b>Version:</b>	<b>FA1</b>
<b>Request Number:</b>	<b>13597</b>
<b>Author:</b>	<b>Rep. Munson</b>
<b>Date:</b>	<b>4/29/2025</b>
<b>Impact: FY26:</b>	<b>-\$16.7million in income tax collections</b>
<b>FY27:</b>	<b>-\$33.4million in income tax collections</b>

**Research Analysis**

The floor substitute for SB299 eliminates the throwback rule for corporate income tax calculations beginning tax year 2026. The substitute also modifies the income qualifier for the sales tax relief credit and increases the credit amount from \$40 to \$200 per personal exemption.

**DIFFERENCE BETWEEN FLOOR SUBSTITUTE AND ENGROSSED VERSION:**

The floor substitute adds language to modify the eligibility requirement and credit amount for the sales tax credit.

Prepared By: Quyen Do

**Fiscal Analysis**

SB299 proposes to eliminate the throwback rule. The floor substitute adds language to modify the eligibility requirements and credit amounts for the sales tax credit.

The Oklahoma Tax Commission has provided the following analysis regarding the elimination of the throwback rule:

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**ESTIMATED REVENUE IMPACT:**

**FY26: Decrease in income tax collections of \$16.7 million.**

**FY27: Decrease in income tax collections of \$33.4 million.**

**ANALYSIS:** SB 299 proposes to amend 68 O.S. § 2358(A)(5)(c)(I), eliminating the "throwback rule" from Oklahoma's corporate income tax calculations starting in tax year 2026. The throwback rule applies to sales of goods shipped from Oklahoma to a state where the company does not have a physical presence or tax obligations. These sales are treated as if they occurred in Oklahoma, ensuring they are included in the state's tax base for corporate income tax purposes.

If the proposed bill is enacted, the throwback rule would no longer apply to these sales starting in 2026. This means that sales made from Oklahoma to states where the company has no physical presence or tax obligations would no longer be included in the calculation of income subject to Oklahoma corporate income tax. As a result, less income would be apportioned to Oklahoma, potentially reducing corporate income tax collections.

Oklahoma does not collect detailed data specific to the throwback rule, making it difficult to estimate the exact fiscal impact of removing the rule. However, a study<sup>i</sup> conducted by the Arkansas Department of Finance and Administration found that Arkansas experienced an average annual revenue decline of 5.59% between 2013 and 2016 after removing the throwback rule<sup>ii</sup>. If Oklahoma were to experience a similar decline, applying the 5.59% reduction to the state's estimated corporate income tax collections for FY26 (\$597,156,000)<sup>iii</sup> would result in a projected revenue decrease of approximately \$16.7 million<sup>iv</sup> for FY 26 and \$33.4 million for FY27.

This change may have a more significant impact on larger businesses with a higher volume of interstate transactions, particularly those with substantial out-of-state sales that would no longer be included in Oklahoma's tax base.

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<sup>i</sup> Tax Reform and Relief Legislative Task Force - *Revenue Impact of Combination of Adoption of Single Sales Factor and Throwback Rule Elimination* [Revenue Impact - Single Sales and Throwback Rule \(state.ar.us\)](#) September 4, 2018. The estimated dollar impact for the elimination of the throwback rule was reported.

<sup>ii</sup> Net corporate income tax collections for Arkansas. Data source: *State Government Tax Collections, Corporation Net Income Taxes in Arkansas*; U.S. Census Bureau, *State Government Tax Collections, Corporation Net Income Taxes in Arkansas* [ARCORPINCTX], retrieved from FRED, Federal Reserve Bank of St. Louis

<sup>iii</sup> Total tax collections to be apportioned from Corporate Income Tax - *Oklahoma Tax Commission Letter to the Office of Management and Enterprise Services regarding the Revenue Forecast for FY 2026*; December 2024

<sup>iv</sup>  $\$597,156,000 \times (.0559 \times .50) = \$16.7 \text{ million}$

Prepared By: Zach Penrod, House Fiscal Staff

**Other Considerations**

None.

