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<b>BILL/VERSION:</b>	<b>HB 1200</b> / CS for ENGR (Req. No. 2049)	<b>ANALYST:</b> MK
<b>AUTHORS:</b>	Rep. Maynard & Sen. Rader	<b>DATE:</b> 4/22/2025
<b>TAX(ES):</b>	Income Tax	
<b>SUBJECT(S):</b>	IIT Bracket Change and Trigger	
<b>EFFECTIVE DATE:</b>	November 1, 2025	<b>Emergency</b> <input type="checkbox"/>

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**ESTIMATED REVENUE IMPACT:**

**FY26:** Decrease in individual income tax collections of \$49.7 million.

**FY27:** Decrease in individual income tax collections of \$125.9 million.

**ANALYSIS:** The Committee Substitute for Engrossed HB 1200 (Req. No. 2049)<sup>1</sup> proposes to amend 68 O.S. § 2355, modifying the income tax rate structure with fewer brackets effective for tax year 2026 and subsequent tax years. The top marginal rate will be 4.70%. The current and proposed individual income tax brackets can be found on page 2 of this impact. This measure also amends 62 O.S. § 34.103. Beginning with the February 2026 Board of Equalization (BOE) meeting, income tax rates in the new bracket structure may be reduced by .25% for each bracket for tax year 2027 if the BOE certifies revenue growth of \$400 million.<sup>2</sup> This is repeated every year at the February BOE meeting until the individual income tax rate is reduced to zero.

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<sup>1</sup> The Engrossed version of HB 1200 proposed to amend 68 O.S. § 2358, relating to Oklahoma's corporate income tax apportionment method, by amending the three-factor apportionment formula for certain corporations and eliminating the throwback rule, beginning in tax year 2026.

<sup>2</sup> In July 2035, the BOE must adjust the \$400 million growth target based on percentage change in the Consumer Price Index published by the Bureau of Labor Statistics of the United States Department of Labor for that period (2026-2035). This is repeated every 10 years.

4/22/25

DATE

*Huan Gong*

DR. HUAN GONG, CHIEF TAX ECONOMIST

4/22/25

DATE

*Marie Schuble*

MARIE SCHUBLE, DIVISION DIRECTOR

4/22/25

DATE

*Joseph P. Gappa*

JOSEPH P. GAPP, FOR THE COMMISSION

*The revenue impact provided herein is an estimate of the potential impact on the collection or apportionment of tax revenues affected by the proposed legislation. It is not intended to be an estimate of the overall fiscal impact on the state budget if the proposed legislation is enacted.*



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. This estimate does not consider any potential rate reduction for 2027 that may occur due to the February 2026 BOE meeting.

<b>HB 1200 FY EFFECT INCOME TAX- New Brackets</b>				
FY CONVERSION		FY26	FY27	FY28
Tax year 2026	-\$124,296,000	-\$49,718,000	-\$74,578,000	\$0
Tax year 2027	-\$128,185,000		-\$51,274,000	-\$76,911,000
Tax year 2028	-\$132,064,000			-\$52,826,000
FY TOTAL		-\$49,718,000	-\$125,852,000	-\$129,737,000
Source: Oklahoma Individual Income Tax Micro-Simulation Model.				

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

<b>Current Law</b>				
<b>Single &amp; Married Separate Filers</b>				
Taxable income		Pay	plus	over
\$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>				
Taxable income		Pay	plus	over
\$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

<b>Proposed Law</b>				
<b>Single &amp; Married Separate Filers</b>				
Taxable income		Pay	plus	over
\$0	\$3,750	\$0.00	0.00%	0
\$3,751	\$4,900	\$0.00	2.75%	\$3,750
\$4,901	\$7,200	\$31.63	3.75%	\$4,900
\$7,201	and above	\$117.88	4.70%	\$7,200

<b>Proposed Law</b>				
<b>Married Joint, Head of Household &amp; Surviving Spouse Filers</b>				
Taxable income		Pay	plus	over
\$0	\$7,500	\$0.00	0.00%	\$0
\$7,501	\$9,800	\$0.00	2.75%	\$7,500
\$9,801	\$14,400	\$63.25	3.75%	\$9,800
\$14,401	and above	\$235.75	4.70%	\$14,400