OKLAHOMA
Tax Commission

**REVENUE IMPACT STATEMENT**
**2025 REGULAR SESSION**
**60TH LEGISLATURE, 1ST SESSION**

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| **BILL/VERSION:** | **HB 1834** / Engrossed[1] | **ANALYST**: LH |
| **AUTHORS:** | Rep. Hefner, Sen. Frix | **DATE**: 3/14/2025 |
| **TAX(ES):** | Income Tax | |
| **SUBJECT(S):** | Deduction & Exemption | |
| **EFFECTIVE DATE:** | November 1, 2025 | **Emergency** ☐ |

**ESTIMATED REVENUE IMPACT:**

**FY26: $0**

**FY27: Unknown decrease in income tax collections.**

**ANALYSIS:** HB 1834 allows a taxpayer to establish a Disaster Savings Account (DSA) to save money for insurance deductibles and other costs related to natural disasters, beginning in tax year 2026. Contributions are deductible from Oklahoma taxable income. Interest earned and withdrawn excess contributions are exempt from Oklahoma taxable income. Contribution limits vary based on an individual's insurance situation and amount of deductible, from $1,000 up to $350,000.

Withdrawals from these accounts are tax-free when used for qualified disaster expenses. Distributions for other purposes are subject to Oklahoma income tax plus an additional 2.5% tax, though exceptions exist for account holders aged 70 and older or those who no longer own a residence. Excess contributions withdrawn will be included in Oklahoma taxable income but will not be subject to the additional 2.5% tax.

Available data from similar programs in other states suggests limited participation. For example, Alabama's 2024 tax expenditure report[2] estimates the cost of its Catastrophe Savings Accounts (CSA) program at approximately $120,000. Expenditure reports for Mississippi and South Carolina do not provide specific data on CSA-related tax impacts, indicating minimal participation and a negligible effect on state

[1] No substantive changes from the previous version.
[2] https://alison.legislature.state.al.us/files/pdf/lsa/Fiscal/TaxExpenditure/ExpendReport2024.pdf

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| 3/14/25 | Huan Gong |
| DATE | DR. HUAN GONG, CHIEF TAX ECONOMIST |
| 3/14/25 | Marie Schuble |
| DATE | MARIE SCHUBLE, DIVISION DIRECTOR |
| 3/14/25 | Joseph P. Gappa |
| DATE | JOSEPH P. GAPPA, 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.*

revenues. Due to the lack of detailed participation data, the total revenue impact cannot be accurately determined.

**ADMINISTRATIVE CONCERNS**:

- The bill's structure of imposing an additional tax, rather than a penalty, for nonqualified withdrawals presents administrative challenges.
- The legislation fails to specify a minimum time period during which a taxpayer must meet the requirements to qualify for DSA tax benefits. This creates a potential loophole where a taxpayer could qualify for a substantial deduction by being self-insured for as little as one day during the tax year.

**ADDITIONAL INFORMATION**: Contribution limits vary based on an individual's insurance situation: those with insurance deductibles of $1,000 or less can contribute up to $2,000, while those with higher deductibles can save up to $15,000 or twice their deductible amount, whichever is less. Self-insured individuals can contribute up to $350,000, not exceeding their home's value.