



BILL/VERSION:	SB 100 / INTRODUCED	ANALYST: MK
AUTHORS:	Sen. Bergstrom	DATE: 1/8/2025
TAX(ES):	Income Tax	
SUBJECT(S):	Individual Income Tax Exempting Tip Income	
EFFECTIVE DATE:	November 1, 2025	Emergency <input type="checkbox"/>

ESTIMATED REVENUE IMPACT:

FY25: \$0

FY26: \$0

FY27: Decrease in individual income tax collections of between \$8.9 million and \$17.4 million.

This estimate may be significantly understated if such proposal prompted a shift in the way wages and fees are paid to workers, making tips, as opposed to taxable wages and salaries, a more desirable form of compensation.

ANALYSIS: SB 100 proposes to amend 68 O.S. § 2358 by exempting income reported as tips from Oklahoma taxable income for tax year 2026 and subsequent tax years.

Estimate was calculated by using data from Montana, which recently repealed their tip income¹ exemption. Using 2019 data (most recent), two analyses were conducted and are described on page 2.

Not all tip income is subject to withholding, therefore it is expected that the incidence of the exemption will occur when the 2026 individual income tax returns are filed in 2027.

¹ Tip income is included as wages and salaries on the IRS form 1040 and is a component of federal AGI.

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Analysis 1 compared exempt tip income as a percentage of Montana Federal Adjusted Gross Income and scaled that to Oklahoma Federal Adjusted Gross Income data.

Analysis 2 estimated Montana's reported tax expenditure and scaled that to Oklahoma using state Gross Domestic Product.

Analysis 1 - Montana Tip Exemption as a % of Federal AGI	
Exempt Tips - 2019	\$88,982,140
Federal AGI - 2019	\$30,622,786,306
Montana % of tips to Federal AGI	0.29%
Oklahoma Federal AGI	\$98,925,603,561
Montana % of tips to Federal AGI	0.29%
Estimated Oklahoma tips as a % of federal AGI	\$286,884,250
Assumed average tax rate	3.1%
Estimated cost of exempting tip income	\$8,893,412
Analysis 2 - Montana Tip Tax Expenditure Scaled Using GDP	
2019 Tax Expenditure - Montana	\$4,419,879
2019 Montana GDP	\$51,925,400,000
2019 Oklahoma GDP	\$204,192,500,000
Oklahoma GDP as a % of Montana GDP	393.24%
Projected Tax Expenditure for Oklahoma	\$17,380,822

These estimates are static and may be understated due to the change in expectations on tipping over the last several years.