OKLAHOMA
Tax Commission

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

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| **BILL/VERSION:** | **SB 103** / INTRODUCED | **ANALYST**: MK |
| **AUTHORS:** | Sen. Weaver | **DATE**: 1/31/2025 |
| **TAX(ES):** | Income Tax | |
| **SUBJECT(S):** | Individual Income Tax State Retirement Exclusion | |
| **EFFECTIVE DATE:** | November 1, 2025 | **Emergency** ☐ |

**ESTIMATED REVENUE IMPACT:**

**FY26: Decrease in individual income tax collections of $731,000.**
**FY27: Decrease in individual income tax collections of $1.827 million.**

**ANALYSIS:** SB 103 proposes to amend 68 O.S. § 2358, relating to the government retirement benefits exemption[1], effective for tax year 2026 and subsequent tax years. Under this proposal, 100% of the retirement benefits received by taxpayers from the following Oklahoma retirement plans would be exempt from Oklahoma taxable income: 1) Oklahoma Law Enforcement Retirement System; 2) Oklahoma Firefighters Pension and Retirement System; 3) Oklahoma Wildlife Conservation Department Fund; and 4) Oklahoma Police Pension and Retirement System.

An analysis of state and federal pension data was conducted to calculate the revenue impact, including calculating the estimated exempt amount. After making adjustments for federal retirees and reviewing the most recent tax expenditure report (tax year 2022 data), the potential decrease in income tax collections is estimated at $1.827 million for tax year 2026. As taxpayers are expected to reduce their withholding and estimated payments, this will result in a decrease of $731,000 for FY26 and $1.827 million in FY27. This estimate does not factor in any growth.

[1] Under current law, an income tax exemption is allowed for the first $10,000 of benefits from several Oklahoma pension plans, the federal government retirement plan (FERS), and certain county and municipality retirement plans, that are included in federal adjusted gross income. This measure does not remove the cap for certain state pensions (OPERS, TRS, and OESCR), federal government pensions, or certain employee retirement systems created by counties and municipalities. This disparate treatment raises potential litigation concerns based on *Davis v. Michigan Department of Treasury* and *Strelecki, et al. v. Oklahoma Tax Commission*.

2/1/25 — Huan Gong
DATE — DR. HUAN GONG, CHIEF TAX ECONOMIST

2/3/25 — Marie Schuble
DATE — MARIE SCHUBLE, DIVISION DIRECTOR

2/3/25 — 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.*