



BILL/VERSION:	SB 1385 / INTRODUCED	ANALYST: TB
AUTHORS:	Sen. Bergstrom	DATE: 2/11/2026
TAX(ES):	Individual Income Tax	
SUBJECT(S):	Exemption; Deduction	
EFFECTIVE DATE:	November 1, 2026	Emergency <input type="checkbox"/>

ESTIMATED REVENUE IMPACT:

FY26: \$0

FY27:

- **Wage Earners Exemption:** Decrease of approximately \$10.4 million in income tax collections.
- **Schedule C Exemption:** Decrease of approximately \$900,000 in income tax collections.
- **Deduction:** Unknown decrease (unreimbursed employee business expenses) in income tax collections.

ANALYSIS: For tax year 2026 and subsequent tax years, SB 1385 provides an exemption from Oklahoma taxable income for a percentage of income earned from a certified trade, including aircraft mechanic, plumber, ironworker, HVAC technician, welder, heavy equipment operator, and electrician. The exemption applies on a graduated basis, equal to 20% of qualifying income in the first through fourth tax years the exemption is claimed, 50% in the fifth tax year, 25% in the sixth through ninth tax years, 50% in the tenth tax year, 30% in the eleventh through fourteenth tax years, 65% in the fifteenth tax year, 35% in the sixteenth through nineteenth tax years, 80% in the twentieth tax year, and 50% in the twenty-first and each subsequent tax year the exemption is claimed. The bill also allows a deduction for unreimbursed employee business expenses related to certified trades. Because these provisions are codified within the individual income tax adjustment provisions of 68 O.S. § 2358, they apply only to individual income tax returns and affect both wage earners and self-employed individuals filing Schedule C.

To estimate the impact on wage earners, data from the Oklahoma Employment and Security Commission was used to identify employment counts and gross wages for

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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. This estimate reflects current available data as of the date of issuance and is subject to revision if additional information becomes known.

occupations likely to qualify as certified trades¹. Average wages were adjusted to approximate Oklahoma-taxable wage income, and the top marginal individual income tax rate and the initial 20% exemption rate were applied, resulting in an estimated reduction in individual income tax collections of approximately \$10.4 million for tax year 2026. To estimate the impact on self-employed individuals, IRS Statistics of Income (SOI) Unincorporated Business State and County Data for tax year 2023 were used, limited to NAICS code 238000 (Specialty Trade Contractors). After adjusting average net profit for self-employment tax and the standard deduction, an estimated annual reduction of approximately \$900,000 attributable to Schedule C filers².

The revenue impact of the unreimbursed employee business expense deduction cannot be reliably estimated because available federal IRS Statistics of Income data reflect only amounts claimed by taxpayers who itemized and deducted such expenses under prior federal law, and do not provide information on the amount of unreimbursed employee expenses among non-itemizers, particularly under a new Oklahoma-only deduction.

Withholding and estimated tax payments are not anticipated to change materially during tax year 2026. Although actual revenue impacts will depend on utilization of the exemption by wage earners and self-employed individuals filing Schedule C, as well as the unquantified deduction for unreimbursed employee business expenses, individual income tax collections are expected to decrease by approximately \$11.3 million in FY27 when tax year 2026 returns are filed, with an additional but unquantifiable decrease attributable to unreimbursed employee business expenses.

ADMINISTRATIVE CONCERN: Although the bill's effective date is November 1, 2026, the exemption and deduction apply to tax years beginning January 1, 2026, resulting in retroactive application for tax year 2026.

¹ Available wage and tax data do not identify licensure or certification status; therefore, the estimate includes some non-licensed individuals within the identified occupations and may overstate the number of eligible taxpayers.

² The estimate does not account for potential changes in business structure or income characterization that could increase utilization of the exemption.