



BILL/VERSION: SB 1398 / CS (Req No 3706)

ANALYST: TB

AUTHORS: Sen. Frix

DATE: 2/20/2026

TAX(ES): Income Tax

SUBJECT(S): Income Tax Credit

EFFECTIVE DATE: November 1, 2026

Emergency

ESTIMATED REVENUE IMPACT:

FY27: Unknown decrease in income tax collections due to a decrease in withholding and estimated tax payments.

FY28: Unknown decrease in income tax collections.

ANALYSIS: The Committee Substitute for SB 1398 amends the introduced version by reducing the credit from 100% of the monetary contribution to 50% of the monetary contribution. For individual taxpayers filing as married filing separately, the credit equals 25% of the monetary contribution. The Committee Substitute also reduces the annual statewide cap beginning in tax year 2029 from \$15 million to \$5 million.

The Committee Substitute otherwise retains the provisions of SB 1398 as introduced. The measure creates a new nonrefundable Oklahoma income tax credit for monetary contributions made to qualifying charitable organizations certified by the Oklahoma Tax Commission (OTC), for tax year 2027 and subsequent tax years.

A decrease in income tax collections is expected in FY27 due to reduced withholding and estimated tax payments. The full revenue impact will occur in FY28 when tax year 2027 returns are filed. Because the credit remains uncapped in tax years 2027 and 2028 and participation is uncertain, the magnitude of these impacts cannot be reliably estimated. Beginning in tax year 2029, the credit will be subject to a \$5 million annual cap administered through a two-year lookback-based percentage adjustment.

Under this measure, the credit for contributions made by an individual taxpayer may not exceed fifty percent of the taxpayer's total income tax liability for the year or reduce tax

2/20/26

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Huan Gong

DR. HUAN GONG, CHIEF TAX ECONOMIST

2/20/26

DATE

Marie Schuble

MARIE SCHUBLE, DIVISION DIRECTOR

2/23/26

DATE

Joseph P. Gappa

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



liability below zero. Contributions for which the credit is claimed may not also be deducted in computing Oklahoma taxable income or Oklahoma adjusted gross income.

If a qualifying contribution is made by a partnership or other entity treated as a partnership for federal income tax purposes, the credit is generated at the entity level and allocated to equity owners. Credits allocated to owners are not subject to the limitations applicable to direct individual contributions. Unused credits may be carried forward for up to five subsequent tax years.

The eligibility criteria restrict qualifying organizations to a defined subset of Oklahoma-based 501(c)(3) entities; however, the number of organizations that will obtain certification and the level of contributions are unknown.

ADMINISTRATIVE IMPACT: The OTC is responsible for certifying eligible charitable organizations, including reviewing applications and maintaining a public list of approved organizations, tracking statewide credit usage, calculating and publishing annual percentage adjustments beginning in tax year 2029, and administering the tax credit and the annual credit cap. This proposal may have an administrative impact on the OTC. The OTC is currently assessing the extent of the impact and evaluating the associated costs.