



BILL/VERSION: SB 1398 / INTRODUCED **ANALYST:** TB
AUTHORS: Sen. Frix **DATE:** 2/7/2026
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: SB 1398¹ creates a new nonrefundable, dollar-for-dollar Oklahoma income tax credit for cash contributions made to qualifying charitable organizations certified by the Oklahoma Tax Commission, 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 2027 tax returns are filed. Because the credit is 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 \$15 million annual cap administered through a two-year lookback-based percentage adjustment. For example, if the total credits used in 2027 to offset tax liability was less than \$15 million, tax year 2029 will remain uncapped.

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 the tax 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.

¹ SB 1398 is substantively identical to SB 1996 as introduced.

2/13/26 Huan Gong
DATE DR. HUAN GONG, CHIEF TAX ECONOMIST

2/14/26 Marie Schuble
DATE MARIE SCHUBLE, DIVISION DIRECTOR

2/14/26 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. This estimate reflects current available data as of the date of issuance and is subject to revision if additional information becomes known.



If a qualifying contribution is made by a partnership² or other entity treated as a partnership for federal income tax purposes, the credit is generated at the entity level and allocated to owners. Credits allocated to owners are limited by the total credit amount generated by the entity and are not subject to the individual fifty-percent limitation that would otherwise apply 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 the certification and level of contributions are unknown.

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

² The allocation provision applies to entities treated as partnerships for federal income tax purposes; S corporations are not expressly included.