BILL SUMMARY
1st Session of the 60th Legislature

Bill No.:	**HB 1200**
Version:	**INT**
Request Number:	**10189**
Author:	**Rep. Maynard**
Date:	**2/5/2025**
Impact:	**See OTC Analysis**

Research Analysis

HB1200, as introduced, allows qualifying corporations with property investments, improvements or expenditures totaling $100 million or more over a period of three years to elect to compute state taxable income using two different methods beginning tax year 2026. Qualifying expenditures and investments can include, but are not limited to, expenditures for intangible drilling costs, track structure expenditures and property received in a liquidation.

The two methods allowed for qualifying corporations are:
• 100 percent single sales factor apportionment formula; or
• Three factor apportionment formula, consisting of the average of property, payroll and sales.

All other corporations will be required to use the 100 percent single sales factor apportionment formula to compute state taxable income.

Prepared By: Quyen Do

Fiscal Analysis

In its current form, HB 1200 allows qualifying corporations with property investments, improvements, or expenditures totaling $100 million or more over a period of three years to elect to compute state taxable income using two different methods beginning tax year 2026.

The Oklahoma Tax Commission has provided the following analysis:

ESTIMATED REVENUE IMPACT:

FY26: Unknown total decrease in income tax collections. Moving to a single sales factor apportionment has an unknown impact, and elimination of the "throwback rule" is estimated to have a $17 million decrease in income tax collections.

FY27: Unknown total decrease in income tax collections. Moving to a single sales factor apportionment has an unknown impact, and elimination of the "throwback rule" is estimated to have a $34 million decrease in income tax collections.

ANALYSIS: HB 1200 proposes to amend 68 O.S. § 2358, relating to Oklahoma's corporate income tax apportionment method. This measure amends the three-factor apportionment formula for certain corporations and eliminates the throwback rule, beginning in tax year 2026. Explanations of both are included below.

Single Sales Factor Apportionment. Currently, when a company does business in multiple states including Oklahoma, they calculate how much income tax they owe to Oklahoma using three factors: 1) Property owned in Oklahoma; 2) Payroll in Oklahoma; and 3) Sales in Oklahoma.

HB 1200 proposes a change to how companies calculate their taxes in Oklahoma starting in 2026. Qualifying corporations, which are those making big investments or expanding in Oklahoma, can choose between a new method where 100% of the tax calculation is based on sales or continue using the current three-factor method. Other companies will have to use the new sales-only method. This could encourage businesses to move to or expand in Oklahoma, since property and payroll won't affect their tax calculations. However, because Oklahoma has a smaller population, it may result in less income being taxed in the state, especially for larger companies with most of their sales outside Oklahoma. This could lead to a decrease in corporate income tax revenue for the state. The full impact is unclear because there's not enough data on how companies currently calculate their taxes.

Prepared By: Zachary Penrod, House Fiscal Staff

Other Considerations

None.