

BILL SUMMARY
1st Session of the 60th Legislature

Bill No.:	SB299
Version:	ENGR
Request Number:	
Author:	Rep. Kendrix
Date:	4/8/2025
Impact: FY26:	-\$16.7million in income tax collections
FY27:	-\$33.4million in income tax collections

Research Analysis

Engrossed SB299 eliminates the throwback rule for corporate income tax calculations beginning tax year 2026.

Prepared By: Quyen Do

Fiscal Analysis

SB299 proposes to eliminate the throwback rule.

The Oklahoma Tax Commission has provided the following analysis:

ESTIMATED REVENUE IMPACT:

FY26: Decrease in income tax collections of \$16.7 million.

FY27: Decrease in income tax collections of \$33.4 million.

ANALYSIS: SB 299 proposes to amend 68 O.S. § 2358(A)(5)(c)(1), eliminating the "throwback rule" from Oklahoma's corporate income tax calculations starting in tax year 2026. The throwback rule applies to sales of goods shipped from Oklahoma to a state where the company does not have a physical presence or tax obligations. These sales are treated as if they occurred in Oklahoma, ensuring they are included in the state's tax base for corporate income tax purposes.

If the proposed bill is enacted, the throwback rule would no longer apply to these sales starting in 2026. This means that sales made from Oklahoma to states where the company has no physical presence or tax obligations would no longer be included in the calculation of income subject to Oklahoma corporate income tax. As a result, less income would be apportioned to Oklahoma, potentially reducing corporate income tax collections.

Oklahoma does not collect detailed data specific to the throwback rule, making it difficult to estimate the exact fiscal impact of removing the rule. However, a study¹ conducted by the Arkansas Department of Finance and Administration found that Arkansas experienced an average annual revenue decline of 5.59% between 2013 and 2016 after removing the throwback ruleⁱⁱ. If Oklahoma were to experience a similar

decline, applying the 5.59% reduction to the state's estimated corporate income tax collections for FY26 (\$597,156,000)ⁱⁱⁱ would result in a projected revenue decrease of approximately \$16.7 million^{iv} for FY 26 and \$33.4 million for FY27.

This change may have a more significant impact on larger businesses with a higher volume of interstate transactions, particularly those with substantial out-of-state sales that would no longer be included in Oklahoma's tax base.

ⁱ Tax Reform and Relief Legislative Task Force - *Revenue Impact of Combination of Adoption of Single Sales Factor and Throwback Rule Elimination* [Revenue Impact - Single Sales and Throwback Rule \(state.ar.us\)](#) September 4, 2018. The estimated dollar impact for the elimination of the throwback rule was reported.

ⁱⁱ Net corporate income tax collections for Arkansas. Data source: *State Government Tax Collections, Corporation Net Income Taxes in Arkansas*; U.S. Census Bureau, *State Government Tax Collections, Corporation Net Income Taxes in Arkansas [ARCORPINCTX]*, retrieved from FRED, Federal Reserve Bank of St. Louis

ⁱⁱⁱ Total tax collections to be apportioned from Corporate Income Tax - *Oklahoma Tax Commission Letter to the Office of Management and Enterprise Services regarding the Revenue Forecast for FY 2026*; December 2024

^{iv} $\$597,156,000 \cdot (.0559 \cdot .50) = \16.7 million

Prepared By: Zach Penrod, House Fiscal Staff

Other Considerations

None.