

OKLAHOMA TAX COMMISSION

REVENUE IMPACT STATEMENT SECOND REGULAR SESSION, FIFTY-SEVENTH OKLAHOMA LEGISLATURE

DATE OF IMPACT STATEMENT: February 24, 2020

BILL NUMBER: HB 3042 STATUS AND DATE OF BILL: Introduced 12/30/19

AUTHORS: House Nichols Senate n/a

TAX TYPE (S): Income Tax SUBJECT: Tax Rate

PROPOSAL: Amendatory

HB 3042 proposes to modify the Oklahoma individual income tax brackets by creating two new income tax brackets effective for tax year 2021 and subsequent tax years.

EFFECTIVE DATE: January 1, 2021

REVENUE IMPACT:

Insert dollar amount (plus or minus) of the expected change in state revenues due to this proposed legislation.

FY 21: Projected increase in income tax collections of \$76,990,000.

FY 22: Projected increase in income tax collections of \$197,403,000

Mar. 2, 2020
DATE

Rick Miller
DIVISION DIRECTOR

mck

3/4/2020
DATE

Huan Gong
HUAN GONG, ECONOMIST

3/4/2020
DATE

JD
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.

ATTACHMENT TO REVENUE IMPACT – HB 3042 [Introduced] Prepared 2/24/20

HB 3042 proposes to modify the Oklahoma individual income tax brackets by creating two new income tax brackets effective for tax year 2021 and subsequent tax years.

The measure proposes to amend the brackets as outlined below:

Current Law - Married Filing Joint; Head of Household and Surviving Spouse Brackets								
If Taxable Income Is:								
0	under	\$2,000	pay	\$0	plus	0.5%	over	\$0
\$2,000	under	\$5,000	pay	\$10.00	plus	1.0%	over	\$2,000
\$5,000	under	\$7,500	pay	\$40.00	plus	2.0%	over	\$5,000
\$7,500	under	\$9,800	pay	\$90.00	plus	3.0%	over	\$7,500
\$9,800	under	\$12,200	pay	\$159.00	plus	4.0%	over	\$9,800
\$12,200	and above		pay	\$255.00	plus	5.0%	over	\$12,200

Proposed Law - Married Filing Joint; Head of Household and Surviving Spouse Brackets								
If Taxable Income Is:								
0	under	\$2,000	pay	\$0	plus	0.5%	over	\$0
\$2,000	under	\$5,000	pay	\$10.00	plus	1.0%	over	\$2,000
\$5,000	under	\$7,500	pay	\$40.00	plus	2.0%	over	\$5,000
\$7,500	under	\$9,800	pay	\$90.00	plus	3.0%	over	\$7,500
\$9,800	under	\$12,200	pay	\$159.00	plus	4.0%	over	\$9,800
\$12,200	under	\$250,000	pay	\$255.00	plus	5.0%	over	\$12,200
\$250,000	under	\$500,000	pay	\$12,145.00	plus	5.75%	over	\$250,000
\$500,000	and above		pay	\$26,520.00	plus	6.75%	over	\$500,000

Current Law – Single and Married Filing Separate Brackets								
If Taxable Income Is:								
\$0	under	\$1,000	pay	\$0.00	plus	0.5%	over	\$0
\$1,000	under	\$2,500	pay	\$5.00	plus	1.0%	over	\$2,000
\$2,500	under	\$3,750	pay	\$20.00	plus	2.0%	over	\$5,000
\$3,750	under	\$4,900	pay	\$45.00	plus	3.0%	over	\$7,500
\$4,900	under	\$7,200	pay	\$79.50	plus	4.0%	over	\$9,800
\$7,200	and above		pay	\$171.50	plus	5.0%	over	\$12,200

Proposed Law - Married Filing Joint; Head of Household and Surviving Spouse Brackets								
If Taxable Income Is:								
\$0	under	\$1,000	pay	\$0.00	plus	0.5%	over	\$0
\$1,000	under	\$2,500	pay	\$5.00	plus	1.0%	over	\$1,000
\$2,500	under	\$3,750	pay	\$20.00	plus	2.0%	over	\$2,500
\$3,750	under	\$4,900	pay	\$45.00	plus	3.0%	over	\$3,750
\$4,900	under	\$7,200	pay	\$79.50	plus	4.0%	over	\$4,900
\$7,200	under	\$100,000	pay	\$171.50	plus	5.0%	over	\$7,200
\$100,000	under	\$200,000	pay	\$4811.50	plus	5.75%	over	\$100,000
\$200,000	and above		pay	\$10561.50	plus	6.75%	over	\$200,000

The estimated revenue impact of this proposal was calculated using the Oklahoma Individual Income Tax Microsimulation Model. Oklahoma income tax withholding tables will be changed to reflect the new brackets for tax year 2021. The projected increase in revenue by tax year and FY is shown in the table below:

<u>FY EFFECT INCOME TAX – HB 3042</u>				
Revenue Impact				
Tax year 2021	\$194,474,000			
Tax year 2022	\$204,797,000			
Tax year 2023	\$219,754,000			
FY CONVERSION		FY21	FY22	FY23
Tax year 2021	\$194,474,000	\$76,990,000	\$115,484,000	
Tax year 2022	\$204,797,000		\$81,919,000	\$122,878,000
Tax year 2023	\$219,754,000			\$87,902,000
FY TOTAL		\$76,990,000	\$197,403,000	\$210,780,000
Source: Oklahoma Individual Income Tax Micro-Simulation Model.				