

# OKLAHOMA TAX COMMISSION

## REVENUE IMPACT STATEMENT AND/OR ADMINISTRATIVE IMPACT STATEMENT FIRST REGULAR SESSION, FIFTY-NINTH OKLAHOMA LEGISLATURE

DATE OF IMPACT STATEMENT: February 15, 2023

BILL NUMBER: HB 2025 STATUS AND DATE OF BILL: Introduced 1/9/2023

AUTHORS: House: Wolfley Senate: n/a

TAX TYPE (S): Income Tax SUBJECT: Deduction

PROPOSAL: Amendatory

HB 2025 proposes to amend 68 O.S. § 2358 by allowing certain Oklahoma income tax filers that claim the standard deduction on their federal return to itemize their deductions on their Oklahoma return effective for tax year 2024 and subsequent tax years.

EFFECTIVE DATE: January 1, 2024

### REVENUE IMPACT:

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

FY 24: None

FY 25: Significant unknown decrease in income tax collections.

Feb 15, 2023  
DATE

Rick Miller  
DIVISION DIRECTOR mk

2/15/2023  
DATE

Huan Gong  
HUAN GONG, ECONOMIST

2/15/2023  
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.**

**ATTACHMENT TO REVENUE IMPACT STATEMENT - HB 2025 [Introduced]**  
**Prepared 2/15/2023**

HB 2025 proposes to amend 68 O.S. § 2358 by allowing certain Oklahoma income tax filers that claim the standard deduction on their federal return to itemize their deductions on their Oklahoma return effective for tax year 2024 and subsequent tax years.

Under current law, the election to either claim the standard deduction or itemize deductions for federal income tax purposes is binding for calculating Oklahoma taxable income. The amount of Oklahoma standard deduction for tax year 2018 and subsequent tax years is:

- \$12,700 for taxpayers filing as married filing jointly or qualifying widower with dependent child
- \$9,350 for taxpayers filing as head of household
- \$6,350 for taxpayer filing as single or married filing separately

Federal itemized deductions are required to be modified for calculating Oklahoma taxable income. Beginning with tax year 2016, state and local income taxes included in itemized deductions are added back to calculate Oklahoma taxable income (by subtracting them from itemized deductions). Beginning with tax year 2018, itemized deductions may not exceed \$17,000, not including charitable contributions or medical expenses.

This measure would allow a taxpayer that claims the standard deduction on their federal return to "itemize" on their Oklahoma return if the Oklahoma itemized deductions are in excess of:

- \$10,750 for taxpayer filing as single or married filing separately
- \$16,650.00 for taxpayers filing as head of household
- \$21,500 for taxpayers filing as married filing jointly or qualifying widower with dependent child

If that occurs, then they can claim an Oklahoma itemized deduction which is more than the current Oklahoma standard deduction. The limitations on itemized deductions (adding back of state and local taxes and the \$17,000 cap) would still apply.

If a taxpayer chooses this option, the taxpayer may not claim the standard deduction for the same tax year; provided that the federal taxable income is less than \$40,525 on a single filer return, \$54,200 for a filer claiming head of household status, or \$81,050 for a joint return.

Data is not available to estimate the number of income tax filers whose itemized deductions will be less than the federal standard deduction<sup>1</sup> but enough to meet the thresholds in this proposal. A significant decrease in individual income tax collections is expected in FY25 when the tax year 2024 income tax returns are filed.

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<sup>1</sup>The amount of federal standard deduction is indexed for inflation every tax year. For tax year 2023; the federal standard deduction is \$27,700 for taxpayers filing as married filing jointly or qualifying widower with dependent child, \$20,800 for taxpayers filing as head of household, and \$13,850 for taxpayer filing as single or married filing separately.