

# OKLAHOMA TAX COMMISSION

## REVENUE IMPACT STATEMENT FIRST REGULAR SESSION, FIFTY-NINTH OKLAHOMA LEGISLATURE

**DATE OF IMPACT STATEMENT:** February 13, 2023

**BILL NUMBER:** HB 2087 **STATUS AND DATE OF BILL:** Introduced 1/11/2023

**AUTHORS:** House Echols Senate n/a

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

**PROPOSAL:** Amendatory and New Law

HB 2087 proposes to amend the provisions of 68 O.S. § 2355, by decreasing the individual income tax rate by 0.25% for all income brackets beginning with tax year 2024, and establishing a trigger mechanism that may reduce the individual income tax rate an additional 0.25% for all income brackets beginning with tax year 2026.

**EFFECTIVE DATE:** November 1, 2023

### REVENUE IMPACT:

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

FY 23: None

FY 24: Decrease of \$92.2 million in income tax collections.

FY 25: Decrease of \$235.2 million in income tax collections

Feb 14, 2023  
DATE

Rick Miller  
DIVISION DIRECTOR mk

2/14/2023  
DATE

Huan Gong  
HUAN GONG, ECONOMIST

2/14/2023  
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 - HB 2087 [Introduced] Prepared 2/13/23**

HB 2087 proposes to amend the provisions of 68 O.S. § 2355, by decreasing the individual income tax rate by 0.25% for all income brackets beginning with tax year 2024, and establishing a trigger mechanism that may reduce the individual income tax rate an additional 0.25% for all income brackets beginning with tax year 2026.<sup>1</sup>

The current and proposed tax brackets can be found on the final page of this revenue impact statement.

The effects of this proposal were estimated using the Oklahoma Individual Income Tax Microsimulation Model. The chart below shows the estimated impact by fiscal year.<sup>2</sup>

<b>HB 2087 - FY EFFECT</b>				
<b><u>0.25% RATE REDUCTION ALL INCOME BRACKETS</u></b>				
<b>Revenue Impact</b>				
Tax year 2024	-\$230,511,000			
Tax year 2025	-\$242,317,000			
Tax year 2026 <sup>3</sup>	-\$255,267,000			
<b>FY</b>		<b>FY24</b>	<b>FY25</b>	<b>FY26</b>
Tax year 2024	-\$230,511,000	-\$92,204,000	-\$138,307,000	
Tax year 2025	-\$242,317,000		-\$96,927,000	-\$145,390,000
Tax year 2026	-\$255,267,000			-\$102,107,000
<b>FY TOTAL</b>		<b>-\$92,204,000</b>	<b>-\$235,234,000</b>	<b>-\$247,497,000</b>
Source: Oklahoma Individual Income Tax Micro-Simulation Model.				

In addition, this measure proposes a new trigger mechanism to decrease the individual income tax rate by an additional 0.25% for all income brackets beginning with tax year 2026. In order to trigger the rate reduction for tax year 2026, the State Board of Equalization (SBE) at the February 2025 meeting shall make a finding regarding the 95% appropriation authority amount, certified at the February 2024 meeting of the SBE compared to the same 95% appropriation authority amount determined at the February 2025 meeting. If there is an increase of 5% or more between the 2024 and 2025 appropriation authority amounts, the SBE shall make a specific finding of this determination and for the 2026 tax year there shall be implemented a reduction of 0.25% in each income tax bracket. This process will repeat each year at the February meeting of the BOE.

<sup>1</sup> The amendatory language in 68 O.S. § 2355 (D) suggests that for tax year 2025 the rate will be reduced an additional 0.25% for all brackets contingent upon the SBE invoking the rate reduction trigger. The first meeting the SBE could invoke the rate reduction trigger is at the February 2025 meeting, which would be in effect for the following tax year 2026. (Proposed new law to be codified at 68 O.S. § 2355.1J). Based on this language the revenue impact for this analysis is based on tax years 2024, 2025 and 2026 having the same individual income tax bracket structure.

<sup>2</sup> The fiscal year impacts considered changes to the withholding tables and estimated tax payments due to the income tax rate reduction.

<sup>3</sup> Tax year 2026 estimate does not include the additional 0.25% reduction. 68 O.S. § 2355.1J.

**ATTACHMENT TO REVENUE IMPACT - HB 2087 [Introduced] Prepared 2/13/23  
(continued)**

Withholding and estimated tax payments would change as a result of the enactment of this measure which would occur in part in FY24. It is expected the revenue impact for FY24 would be a decrease of \$92.2 million in income tax collections and for FY25 a decrease of \$235.2 million in income tax collections.

**INDIVIDUAL INCOME TAX BRACKETS**

<b>Current Law - Married Filing Joint; Head of Household and Surviving Spouse Brackets</b>								
If Taxable Income Is:								
0	-	\$2,000	Pay	\$0	plus	0.25%	over	\$0
\$2,001	-	\$5,000	Pay	\$5.00	plus	0.75%	over	\$2,000
\$5,001	-	\$7,500	Pay	\$27.50	plus	1.75%	over	\$5,000
\$7,501	-	\$9,800	Pay	\$71.25	plus	2.75%	over	\$7,500
\$9,801	-	\$12,200	Pay	\$134.50	plus	3.75%	over	\$9,800
\$12,201	and above		Pay	\$224.50	plus	4.75%	over	\$12,200

<b>Proposed Law - Married Filing Joint; Head of Household and Surviving Spouse Brackets</b>								
If Taxable Income Is:								
0	-	\$2,000	Pay	\$0.00	plus	0.00%	over	\$0
\$2,001	-	\$5,000	Pay	\$0.00	plus	0.50%	over	\$2,000
\$5,001	-	\$7,500	Pay	\$15.00	plus	1.50%	over	\$5,000
\$7,501	-	\$9,800	Pay	\$52.50	plus	2.50%	over	\$7,500
\$9,801	-	\$12,200	Pay	\$110.00	plus	3.50%	over	\$9,800
\$12,201	and above		Pay	\$194.00	plus	4.50%	over	\$12,200

<b>Current Law - Single and Married Filing Separate Brackets</b>								
If Taxable Income Is:								
\$0	-	\$1,000	Pay	\$0.00	plus	0.25%	over	\$0
\$1,001	-	\$2,500	Pay	\$2.50	plus	0.75%	over	\$1,000
\$2,501	-	\$3,750	Pay	\$13.75	plus	1.75%	over	\$2,500
\$3,751	-	\$4,900	Pay	\$35.63	plus	2.75%	over	\$3,750
\$4,901	-	\$7,200	Pay	\$67.25	plus	3.75%	over	\$4,900
\$7,201	and above		Pay	\$153.50	plus	4.75%	over	\$7,200

<b>Proposed Law - Single and Married Filing Separate Brackets</b>								
If Taxable Income Is:								
\$0	-	\$1,000	Pay	\$0.00	plus	0.00%	over	\$0
\$1,001	-	\$2,500	Pay	\$0.00	plus	0.50%	over	\$1,000
\$2,501	-	\$3,750	Pay	\$7.50	plus	1.50%	over	\$2,500
\$3,751	-	\$4,900	Pay	\$26.25	plus	2.50%	over	\$3,750
\$4,901	-	\$7,200	Pay	\$55.00	plus	3.50%	over	\$4,900
\$7,201	and above		Pay	\$135.50	plus	4.50%	over	\$7,200