



BILL/VERSION: **HB 1806** / Proposed Subcommittee Sub **ANALYST:** MK
AUTHORS: Rep. Lepak **DATE:** 2/11/2025
TAX(ES): Income Tax
SUBJECT(S): Individual Income Tax Rate Change
EFFECTIVE DATE: January 1, 2026 **Emergency**

ESTIMATED REVENUE IMPACT:
FY26: Decrease in individual income tax collections of \$213.874 million.
FY27: Decrease in individual income tax collections of \$544.66 million.

ANALYSIS: The Proposed Subcommittee Substitute for HB 1806 (Req. No. 12428) proposes to amend 68 O.S. § 2355 by decreasing individual income tax rates across all brackets by 0.50% effective for tax year 2026 and subsequent tax years. The effects of this proposal were estimated using the Oklahoma Individual Income Tax Microsimulation Model. The chart below shows the estimated impact by tax and fiscal year.

HB 1806 Ind Income Tax - 0.5% Rate Reduction All Brackets				
FY CONVERSION		FY26	FY27	FY28
Tax year 2026	-\$534,684,000	-\$213,874,000	-\$320,810,000	
Tax year 2027	-\$559,626,000		-\$223,850,000	-\$335,776,000
Tax year 2028	-\$588,231,000			-\$235,292,000
Total		-\$213,874,000	-\$544,660,000	-\$571,068,000

Source: Oklahoma Individual Income Tax Micro-Simulation Model.

2/12/25

 DATE

Huan Gong

 DR. HUAN GONG, CHIEF TAX ECONOMIST

2/12/25

 DATE

Marie Schuble

 MARIE SCHUBLE, DIVISION DIRECTOR

2/13/25

 DATE

Joseph P. Gappa

 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.



The tables below reflect the current and proposed individual income tax brackets for tax year 2026 and subsequent tax years.

CURRENT LAW				
Single & Married Separate Filers				
Taxable income	Pay	plus	over	
\$0	\$1,000	\$0.00	0.25%	\$0
\$1,001	\$2,500	\$2.50	0.75%	\$1,000
\$2,501	\$3,750	\$13.75	1.75%	\$2,500
\$3,751	\$4,900	\$35.63	2.75%	\$3,750
\$4,901	\$7,200	\$67.25	3.75%	\$4,900
\$7,201	and above	\$153.50	4.75%	\$7,200

CURRENT LAW				
Married Joint, Head of Household & Surviving Spouse Filers				
Taxable income	Pay	plus	over	
\$0	\$2,000	\$0.00	0.25%	\$0
\$2,001	\$5,000	\$5.00	0.75%	\$2,000
\$5,001	\$7,500	\$27.50	1.75%	\$5,000
\$7,501	\$9,800	\$71.25	2.75%	\$7,500
\$9,801	\$14,400	\$134.50	3.75%	\$9,800
\$14,401	and above	\$307.00	4.75%	\$14,400

PROPOSED LAW - HB 1806				
Single & Married Separate Filers				
Taxable income	Pay	plus	over	
\$0	\$1,000	\$0.00	0.00%	\$0
\$1,001	\$2,500	\$0.00	0.25%	\$1,000
\$2,501	\$3,750	\$3.75	1.25%	\$2,500
\$3,751	\$4,900	\$19.38	2.25%	\$3,750
\$4,901	\$7,200	\$45.25	3.25%	\$4,900
\$7,201	and above	\$120.00	4.25%	\$7,200

PROPOSED LAW - HB 1806				
Married Joint, Head of Household & Surviving Spouse Filers				
Taxable income	Pay	plus	over	
\$0	\$2,000	\$0.00	0.00%	\$0
\$2,001	\$5,000	\$0.00	0.25%	\$2,000
\$5,001	\$7,500	\$7.50	1.25%	\$5,000
\$7,501	\$9,800	\$38.75	2.25%	\$7,500
\$9,801	\$14,400	\$90.50	3.25%	\$9,800
\$14,401	and above	\$240.00	4.25%	\$14,400