OKLAHOMA
Tax Commission

REVENUE IMPACT STATEMENT
2025 REGULAR SESSION
60TH LEGISLATURE, 1ST SESSION

BILL/VERSION:	HB 2764 / Enrolled[1]	**ANALYST**: MK	
AUTHORS:	Rep. T. Caldwell & Senator Hall	**DATE**: 5/23/2025	
TAX(ES):	Income Tax		
SUBJECT(S):	Individual Income Rate Reduction with a Trigger		
EFFECTIVE DATE:	November 1, 2025	**Emergency** ☐	

ESTIMATED REVENUE IMPACT:

FY26: Decrease in individual income tax collections of $133.5 million
FY27: Decrease in individual income tax collections of $340.5 million

ANALYSIS: The Enrolled Version of HB 2764 proposes to amend 68 O.S. § 2355 by enacting an individual income tax rate cut effective for tax year 2026 and subsequent tax years. The current and proposed rate tables for tax year 2026 and subsequent tax years can be found at the end of this revenue impact statement.

Additionally, 62 O.S. § 34.103 is amended to add a rate reduction trigger based on total collections. This trigger could reduce individual income tax rates by 0.25% across all brackets. In the December 2026 meeting, the State Board of Equalization (BOE) would be required to make a preliminary certification and report of the base year total collections[i], the income tax rate reduction threshold[ii] and comparison year total collections[iii].

If the comparison year total collections amount is greater than the sum of the base year total collections and the income tax reduction cost threshold, an income tax rate reduction of 0.25% across all brackets would be triggered for the tax year starting January 1 following the final February certification by the BOE that the income tax rate reduction is authorized.[2] This process is repeated every December and February until the individual income tax rate is zero.

[1] The language in the Enrolled version is the same as in the Engrossed version.
[2] The initial tax year a "triggered" rate cut could be enacted is tax year 2028. For purposes of this analysis, **no** triggered rate cut was assumed.

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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.

Section 34.103 is further amended to require the BOE in the December 2026 meeting to certify that the revenues accruing to certified funds during the 5 1/2 months of FY 27, were within 95% of the estimate made in February 2026, and no revenue failure was declared.

HB 2764 – Engrossed				
FY CONVERSION		FY26	FY27	FY28
Tax year 2026	-$333,827,000	-$133,531,000	-$200,296,000	
Tax year 2027	-$350,467,000		-$140,187,000	-$210,280,000
Tax year 2028	-$367,295,000			-$146,918,000
	Total	-$133,531,000	-$340,483,000	-$357,198,000
Source: Oklahoma Individual Income Tax Micro-Simulation Model.				

The charts below show the current and proposed 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 BRACKETS				
Single & Married Separate Filers				
Taxable income		**Pay**	**plus**	**over**
$0	$3,750	$0.00	0%	$0
$3,751	$4,900	$0.00	2.50%	$3,750
$4,901	$7,200	$28.75	3.50%	$4,900
$7,201	and above	$109.25	4.50%	$7,200

PROPOSED BRACKETS				
Married Joint, Head of Household & Surviving Spouse Filers				
Taxable income		**Pay**	**plus**	**over**
$0	$7,500	$0.00	0%	$0
$7,501	$9,800	$0.00	2.50%	$7,500
$9,801	$14,400	$57.50	3.50%	$9,800
$14,401	and above	$218.50	4.50%	$14,400

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[i] "Base year tax collections" is defined in the proposal as the amount of revenue determined by the BOE at its December meeting and includes all revenue sources reported in the annual report of the Oklahoma Tax Commission (OTC) excluding any taxes collected from levies imposed by counties, cities, towns or any other entity of local government. For purposes of reporting total collections for purposes of this subsection, the OTC shall use the same methodology used to report estimated revenues to the BOE that was used for the December 2024 meeting

[ii] The "income tax rate reduction threshold" is the estimated revenue loss that would result from reducing income tax rates (as calculated by the OTC) multiplied by 125%.

[iii] "Comparison year total collections" means the amount of revenue determined by the State Board of Equalization at its December meeting for the immediately preceding fiscal year and includes all revenue sources reported in the annual report of the Oklahoma Tax Commission excluding any tax collected by the Commission from levies imposed by counties, cities, towns or any other entity of local government. For purposes of reporting total collections for purposes of this subsection, the Oklahoma Tax Commission shall use the same methodology used to report estimated revenues to the State Board of Equalization that was used to make the report for the December 2024 meeting.