

**REVENUE IMPACT STATEMENT AND/OR ADMINISTRATIVE IMPACT STATEMENT
SECOND REGULAR SESSION, FIFTY-NINTH OKLAHOMA LEGISLATURE**

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 3058 [Introduced] Prepared 2/23/24

HB 3058 proposes to amend the provisions of 68 O.S. § 2355, by decreasing the individual income tax rates by 1/10th for all income brackets¹ beginning with tax year 2025 and for all subsequent tax years until the individual income tax is eliminated. This annual 1/10th reduction of the rate in all brackets will result in the elimination of individual income tax by tax year 2034.

For illustrative purposes, the income tax brackets for tax year 2024 and the proposed tax rates for tax years 2025 through 2034 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 tax year and fiscal year.

HB 3058 - FY EFFECT				
<u>1/10th INCOME TAX RATE REDUCTION ALL INCOME BRACKETS</u>				
Revenue Impact				
Tax year 2025	- \$442,756,000			
Tax year 2026	- \$927,958,000			
Tax year 2027	- \$1,465,589,000			
FY		FY25	FY26	FY27
Tax year 2025	- \$442,756,000	- \$177,102,000	- \$265,654,000	
Tax year 2026	- \$927,958,000		- \$371,183,000	- \$556,775,000
Tax year 2027	- \$1,465,589,000			- \$586,236,000
FY TOTAL		- \$177,102,000	- \$636,837,000	- \$1,143,011,000
Source: Oklahoma Individual Income Tax Micro-Simulation Model.				

Withholding and estimated tax payments will change because of the enactment of this measure. The estimated impact of this measure is a decrease in individual income tax collections of \$177.1 million in FY25 and \$636.8 million in FY26. The projected decrease in income tax collections for FY27 is \$1.143 billion.

¹The 1/10th reduction is accomplished by dividing the 2024 tax rates in each bracket by 10 and then subtracting that amount each year over a 10-year period.

**ATTACHMENT TO REVENUE IMPACT - HB 3058 [Introduced] Prepared 2/23/24
(continued)**

INDIVIDUAL INCOME TAX BRACKETS

Current Law - Married Filing Joint; Head of Household and Surviving Spouse Brackets								
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	-	\$14,400	Pay	\$134.50	plus	3.75%	over	\$9,800
\$14,401	and above		Pay	\$307.00	plus	4.75%	over	\$14,400

Current Law - Single and Married Filing Separate Brackets								
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

10 Year Bracket Reduction						
Tax Year	Income Tax Brackets					
2025	0.225%	0.675%	1.575%	2.475%	3.375%	4.275%
2026	0.200%	0.600%	1.400%	2.200%	3.000%	3.800%
2027	0.175%	0.525%	1.225%	1.925%	2.625%	3.325%
2028	0.150%	0.450%	1.050%	1.650%	2.250%	2.850%
2029	0.125%	0.375%	0.875%	1.375%	1.875%	2.375%
2030	0.100%	0.300%	0.700%	1.100%	1.500%	1.900%
2031	0.075%	0.225%	0.525%	0.825%	1.125%	1.425%
2032	0.050%	0.150%	0.350%	0.550%	0.750%	0.950%
2033	0.025%	0.075%	0.175%	0.275%	0.375%	0.475%
2034	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%