



BILL/VERSION: SB 43 / INTRODUCED **ANALYST:** MK
AUTHORS: Sen. Daniels **DATE:** 2/5/2025
TAX(ES): Income Tax
SUBJECT(S): Itemized Deductions Cap – Wagering Losses
EFFECTIVE DATE: November 1, 2025 **Emergency** ☐

ESTIMATED REVENUE IMPACT:
FY26: Unknown decrease in income tax revenue.

ANALYSIS: SB 43 proposes to amend 68 O.S. § 2358(E)(3)(b), relating to itemized deductionsⁱ allowable on an Oklahoma income tax return, by exempting wagering losses deductible for federal income tax purposes from the current Oklahoma itemized deduction cap of \$17,000, effective for tax year 2020 and subsequent tax years. The effects of this proposal were estimated using the Oklahoma Individual Income Tax Microsimulation Model.

Tax Year	Change in Collections
2021	-\$20,405,000
2022	-\$21,195,000
2023	-\$22,656,000
2024	-\$24,066,000
2025	-\$25,403,000
2026	-\$26,690,000
2027	-\$28,313,000

The decline in income tax collections for tax years 2021 through 2027 is expected to be \$168.7 million.ⁱⁱ Amended returns for tax years 2021 through 2024 will be necessary to claim the itemized deductions as outlined in this proposal. The timing of these amended returns is unknownⁱⁱⁱ; therefore, an undetermined revenue decrease is expected beginning in FY26. No changes to withholding or estimated tax payments are expected.

2/6/25
DATE

Huan Gong
DR. HUAN GONG, CHIEF TAX ECONOMIST

2/7/25
DATE

Marie Schuble
MARIE SCHUBLE, DIVISION DIRECTOR

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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.



ADMINISTRATIVE IMPACT: Amended returns for tax years 2021 through 2024 will be necessary to claim the itemized deductions as outlined in this proposal. The additional amended returns due to the enactment of this measure will create administrative costs for the Oklahoma Tax Commission (OTC). Implementation will require two additional FTE on a temporary basis to process the additional amended returns at a cost of \$116,000.

ADMINISTRATIVE CONCERNS. Claims for income tax refunds generally have a 3-year statute of limitations (68 O.S. § 227). Although this proposal would allow wagering losses to be deductible beginning with tax year 2020, the OTC would be barred from issuing refunds for tax year 2020 and potentially tax year 2021.ⁱⁱⁱ

ⁱ Charitable contributions and medical expenses deductible for federal income tax purposes are not subject to the \$17,000 cap on Oklahoma itemized deductions.

ⁱⁱ Due to data limitations, the current version of the Oklahoma Individual Income Tax Microsimulation Model cannot model the effects of this proposal before tax year 2021. Previous estimates suggest an annual tax year revenue decrease of approximately \$7.5 million (HB 3085, 2022 Session).

ⁱⁱⁱ Generally, any claim for refund of an overpayment of tax must be made within three years from the due date of the return, including the period of any extension of time for filing a return, or two years from the payment of the tax liability, whichever period is later, or, if no return was filed, within two years of the time the tax was paid. For 2021 returns, the deadline is October 17, 2025.