

BILL SUMMARY
1st Session of the 57th Legislature

Bill No.:	HB2665
Version:	CS
Request Number:	8337
Author:	Rep. Wallace
Date:	3/05/2019
Impact:	Please see previous summary of this measure

Research Analysis

The committee substitute for HB2665 creates the Pass-Through Entity Tax Equity Act of 2019 to allow any entity required to file an Oklahoma partnership income tax return or Oklahoma S corporation income tax return to make an election to pay state income tax attributable to its equity owners on behalf of its equity owners, whether the owner is a natural person, a corporation or another pass-through entity. The amount of tax due by an electing pass-through entity is the sum of the total tax attributable to each equity owner, which is computed by multiplying the following three factors:

- each owner's distributive share of the electing pass-through entity;
- the pass-through entity's Oklahoma net entity income for the tax year; and
- the highest state marginal individual income tax rate (currently 5%) if the owner is an individual, trust or estate or 6 percent if the member is a corporation, pass-through entity or financial institution.

Any pass-through entity can make the optional election to pay the pass-through tax beginning tax year 2019. Beginning tax year 2020, an electing pass-through entity must make estimated tax payments. Furthermore, if the pass-through entity election results in a net entity loss for Oklahoma income tax purpose for any tax year, the net entity loss may be carried back and carried forward by the electing pass-through entity for state income tax purposes. State income tax can only be levied once on pass-through income, whether it occurs at the business level to be paid by an electing pass-through entity, or at the ownership level to be paid by the equity owner(s). The measure outlines procedures and deadlines for the Oklahoma Tax Commission to structure the process for election and provides for the adjustment of Oklahoma taxable income for any gain or loss attributable to pass-through income if no election is made.

The legislative intent of the measure is to establish a revenue-neutral mechanism to provide a more fair and simplified taxation of pass through entities and their members in the state.

Prepared By: Quyen Do

Fiscal Analysis

The measure is currently under review and impact information will be completed.

Prepared By: Mark Tygret

Other Considerations

None.

© 2019 Oklahoma House of Representatives, see Copyright Notice at www.okhouse.gov