

**BILL SUMMARY**  
1<sup>st</sup> Session of the 58<sup>th</sup> Legislature

<b>Bill No.:</b>	<b>HB 2041</b>
<b>Version:</b>	<b>CS</b>
<b>Request Number:</b>	<b>7909</b>
<b>Author:</b>	<b>Mr. Speaker</b>
<b>Date:</b>	<b>3/9/2021</b>
<b>Impact:</b>	

**Tax Commission**

**Income Tax Decrease:**  
**FY-22: (\$71,068,400)**  
**FY-23: (\$180,750,600)**  
**FY-24: (\$188,904,800)**

**Research Analysis**

The committee substitute for HB 2041 allows an income tax credit for tax years beginning on or after January 1, 2022, as follows:

- For persons with either a single or married filing separate return filing status, a base credit of \$18 plus an additional credit, computed by multiplying the amount of Oklahoma taxable income in excess of \$7,200 by 0.0025 percent; or
- For persons with a married filing joint return, head of household or qualifying widow or widower filing status, a base credit of \$30.50 plus an additional credit, computed by multiplying the amount of Oklahoma taxable income in excess of \$12,200 by 0.0025 percent.

For part-year residents and nonresidents, a base credit of either \$18 or \$30.50, depending on their filing status as noted above, plus an additional credit, computed by multiplying the amount of taxable income as reflected on the Oklahoma income tax return in excess of either \$7,200 or \$12,200, depending on their filing status as noted above, by 0.0025 percent.

The measure also restores refundability of the earned income tax credit for tax years beginning on or after January 1, 2022.

Lastly, the measure eliminates the \$1,000 personal exemption for taxpayers with a single or married filing separate return filing status and with a federal adjusted gross income of \$50,000 or more, and for taxpayers with a married filing joint return, head of household or qualifying widow or widower status and with a federal adjusted gross income of \$100,000 or more, effective January 1, 2022, and every tax year thereafter.

Prepared By: Emily McPherson

**Fiscal Analysis**

The measure modifies elements of the Oklahoma individual income tax, beginning in tax year 2022. Included in the modifications:

- Provides a credit the equivalent of one quarter of one percentage point for all tax rates

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Tax Rate	With Rate Equivalent Credit
0.5%	0.25%
1.0%	0.75%
2.0%	1.75%
3.0%	2.75%
4.0%	3.75%
5.0%	4.75%

- Provides a base credit of \$18.50 (Single/Married filing separately) and \$30.50 (Joint/Head of Household) and additional credit equal to all taxable income over \$7,200 (Single/Married filing separately) and \$12,200 (Joint/Head of Household) times a 0.0025
- Provides for proration of Oklahoma income to federal adjusted gross income for non-residents and partial year filers
- Refundability for the Earned Income Tax Credit (EITC)
- Modification of the personal exemption

### **Revenue Impact Estimates**

Based on Tax Commission micro-simulation analysis the estimated revenue impact by tax year, fiscal year and apportionment amounts to the General Revenue Fund and the Education Reform Revolving (“HB 1017”) Fund:

## HB 2041 (FULLPCS2) Current Estimates

<b>Tax Year</b>	<b>Net Impact</b>
2022	177,671,000
2023	185,370,000
2024	194,207,000

<b>Fiscal Year</b>	<b>Net Impact</b>
2022	71,068,400
2023	180,750,600
2024	188,904,800

<b>Apportioned*</b>	<b>Net Impact</b>
2022	63,760,436
2023	162,164,016
2024	169,479,719

\* General Revenue Fund and Education Reform Revolving ("HB 1017") Fund

Prepared By: Mark Tygret

### Other Considerations

**Allow Refundable OKEITC, Partial Personal Exemptions (50/100), And  
Tax Credit in Excess of \$7,200 (S/MS) And \$12,200 (MJ/HH/SS) - 3.8.21 1:34pm  
No Other Changes to Current Law. All Returns by Federal AGI in Tax Year 2022**

FEDERAL ADJUSTED GROSS INCOME	NUMBER OF RETURNS	AVERAGE LIABILITY CURR LAW	AVERAGE LIABILITY PROP LAW	DOLLAR CHANGE IN AVG OK TAX	PERCENT CHANGE IN AVG OK TAX	CHANGE IN TOTAL OK TAX	% OF TOT CHANGE IN CLASS	CUMULATIVE % OF TOT IN CLASS
Less than zero	28,387	179	170	-9	(5.2%)	-263,781	0.1%	0.1%
0 to 1,999	28,369	-23	-26	-2	(10.3%)	-68,611	0.0%	0.2%
2,000 to 3,999	34,538	-22	-29	-7	(32.7%)	-243,738	0.1%	0.3%
4,000 to 5,999	37,660	-25	-39	-14	(57.2%)	-533,479	0.3%	0.6%
6,000 to 7,999	39,045	-26	-48	-23	(87.3%)	-879,195	0.5%	1.1%
8,000 to 9,999	40,272	-23	-54	-31	(135.6%)	-1,251,792	0.7%	1.8%
10,000 to 11,999	42,222	-12	-57	-45	(388.8%)	-1,912,093	1.1%	2.9%
12,000 to 13,999	43,827	18	-35	-54	(290.3%)	-2,347,979	1.3%	4.2%
14,000 to 15,999	44,789	49	-27	-75	(154.5%)	-3,368,024	1.9%	6.1%
16,000 to 17,999	43,419	89	5	-83	(94.1%)	-3,616,605	2.0%	8.2%
18,000 to 19,999	42,140	133	53	-80	(60.0%)	-3,364,121	1.9%	10.0%
20,000 to 21,999	41,120	188	112	-75	(40.1%)	-3,089,800	1.7%	11.8%
22,000 to 23,999	40,988	237	174	-64	(26.8%)	-2,606,824	1.5%	13.3%
24,000 to 25,999	41,768	290	232	-58	(20.1%)	-2,438,340	1.4%	14.6%
26,000 to 27,999	41,134	346	292	-54	(15.6%)	-2,219,147	1.2%	15.9%
28,000 to 29,999	39,321	413	364	-49	(12.0%)	-1,944,122	1.1%	17.0%
30,000 to 31,999	37,761	486	437	-49	(10.1%)	-1,851,563	1.0%	18.0%
32,000 to 33,999	36,800	560	511	-50	(8.8%)	-1,823,766	1.0%	19.0%
34,000 to 35,999	35,403	642	591	-51	(8.0%)	-1,807,352	1.0%	20.1%
36,000 to 39,999	67,378	756	701	-55	(7.3%)	-3,731,926	2.1%	22.2%
40,000 to 44,999	76,097	929	866	-63	(6.8%)	-4,812,191	2.7%	24.9%
45,000 to 49,999	67,842	1,107	1,036	-71	(6.5%)	-4,849,649	2.7%	27.6%
50,000 to 54,999	60,496	1,298	1,238	-59	(4.5%)	-3,569,948	2.0%	29.6%
55,000 to 59,999	54,866	1,458	1,390	-68	(4.7%)	-3,722,854	2.1%	31.7%
60,000 to 69,999	97,022	1,672	1,591	-81	(4.8%)	-7,862,337	4.4%	36.1%
70,000 to 79,999	82,570	1,981	1,881	-100	(5.1%)	-8,261,356	4.6%	40.8%
80,000 to 89,999	71,748	2,301	2,182	-119	(5.2%)	-8,537,931	4.8%	45.6%
90,000 to 99,999	61,760	2,613	2,477	-137	(5.2%)	-8,436,502	4.7%	50.3%
100,000 to 124,999	118,758	3,236	3,168	-68	(2.1%)	-8,079,522	4.5%	54.9%
125,000 to 149,999	76,439	4,067	3,959	-108	(2.7%)	-8,272,655	4.7%	59.5%
150,000 to 199,999	80,145	5,132	4,969	-163	(3.2%)	-13,054,481	7.3%	66.9%
200,000 to 499,999	90,628	7,944	7,635	-309	(3.9%)	-27,981,387	15.7%	82.6%
500,000 to 999,999	19,404	14,301	13,664	-638	(4.5%)	-12,375,648	7.0%	89.6%
1,000,000 plus	17,994	22,601	21,573	-1,028	(4.5%)	-18,492,381	10.4%	100.0%
<b>TOTAL</b>	<b>1,782,110</b>	<b>2,050</b>	<b>1,950</b>	<b>-100</b>	<b>(4.9%)</b>	<b>-177,671,000</b>	<b>100.0%</b>	<b>.</b>