

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

<b>Bill No.:</b>	<b>HB 2083</b>
<b>Version:</b>	<b>CS</b>
<b>Request Number:</b>	<b>7814</b>
<b>Author:</b>	<b>Mr. Speaker</b>
<b>Date:</b>	<b>3/5/2021</b>
<b>Impact:</b>	<b>Tax Commission:</b>

**Estimated Revenue Decrease:**  
**FY-22: (\$32.3 Million)**  
**FY-23: (\$99.9 Million)**

**Research Analysis**

The committee substitute for HB 2083 creates a five-year schedule to progressively reduce to zero Oklahoma taxable income for the calculation of corporate income tax for certain entities by 20 percent each year, beginning in January 2022.

The measure provides that the intent of the Legislature is to make modifications to offset potential revenue losses and to ensure that revenues apportioned to the Education Reform Revolving Fund, the Teachers' Retirement System, and the Ad Valorem Reimbursement Fund are not adversely affected.

Prepared By: Emily McPherson

**Fiscal Analysis**

Analysis provided by the Tax Commission:

The Committee Substitute for HB 2083 proposes to enact a phased-in income tax deduction for corporate taxable income amounts. (68 O.S. § 2358 and 68 O.S. 2370<sup>1</sup>)

The proposed deduction is as follows:

- 20% of the total Oklahoma taxable income amount for a taxable year beginning after December 31, 2021, and before January 1, 2023;
- 40% of the total Oklahoma taxable income amount for a taxable year beginning after December 31, 2022, and before January 1, 2024;
- 60% of the total Oklahoma taxable income amount for a taxable year beginning after December 31, 2023, and before January 1, 2025;
- 80% of the total Oklahoma taxable income amount for a taxable year beginning after December 31, 2024, and before January 1, 2026; and
- 100% of the total Oklahoma taxable income amount for any taxable year beginning on or after January 1, 2026.

Under current law, income tax is computed on "Oklahoma taxable income", not "Oklahoma taxable income minus the deduction allowed in Section 2358.101". "For all taxable years beginning after December 31, 1989, a tax is hereby imposed upon the *Oklahoma taxable income* of every corporation doing business within this state or deriving income from sources within this state in an amount equal to six percent (6%) thereof." [68 O.S. § 2355 (E)]

For purposes of this estimate, it is assumed this measure imposes the corporate income tax rate of 6% on Oklahoma taxable income minus the deduction allowed in Section 2358.101.

In order to derive the revenue impact for the first year (tax year 2022), the estimates from the Oklahoma Tax Commission Revenue forecast for FY22 and FY23 were used.<sup>2</sup> The estimated decrease in income tax collections for FY22 would be \$32.3 million,<sup>3</sup> and for FY23, the estimated decrease in income tax collections would be \$99.9 million.

<sup>1</sup> Every state banking association, national banking association and credit union organized under the laws of this state, located or doing business within the limits of the State of Oklahoma shall annually pay to this state a privilege tax at the rate 6% of the amount of the taxable income.

<sup>2</sup> Oklahoma Tax Commission - Revenue Forecasts for FY 2022 and FY 2023 as of February 12, 2021. Letter to Office of Management and Enterprise Services. FY22 Corporate Estimate is \$323.5 million; FY23 Corporate Estimate is \$337.8 million.

<sup>3</sup> This presumes ½ of the tax year 2022 corporate income tax revenue is in FY22, and ½ is in FY23.

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### **Other Considerations**

None.