

**BILL SUMMARY**  
2<sup>nd</sup> Session of the 58<sup>th</sup> Legislature

<b>Bill No.:</b>	<b>HB 4358</b>
<b>Version:</b>	<b>CS</b>
<b>Request Number:</b>	<b>11027</b>
<b>Author:</b>	<b>Rep. Boatman</b>
<b>Date:</b>	<b>3/14/2022</b>
<b>Impact:</b>	<b>Tax Commission:</b>

**Estimated Revenue Decrease:**

**FY-23: (\$23,467,000)**  
**FY-24: (\$74,155,688)**  
**FY-25: (\$129,646,063)**

**Research Analysis**

The committee substitute for HB4358 establishes a graduated schedule to reduce the state corporate income tax, pass-through entity tax and the bank privilege tax by .5 percent every tax year beginning tax year 2023.

The current state income tax rate for corporations, pass-through entities and banks is 4 percent. The rate reduction schedule is as follows:

Tax Year	State Corporate Income Tax Rate
2023	3.5%
2024	3.0%
2025	2.5%
2026	2.0%
2027	1.5%
2028	1.0%
2029	0.5%
2030	0.0%

All corporations are eligible for the reduced rate in the applicable tax year, except those with more than \$50 million in Oklahoma state tax credit carryforwards as of the effective date of the act. For such corporations, the existing 4 percent corporate income tax rate will prevail.

When the 0% bank privilege tax takes effect in tax year 2030, banks will be subject to an in-lieu fee of \$100 each year, which be apportioned to the State Public Common Schools Building Equalization Fund.

Prepared By: Quyen Do

**Fiscal Analysis**

Analysis provided by the Tax Commission:

Under current law, a 4% income tax is levied upon the Oklahoma taxable income of every corporation doing business within this state or deriving income from sources within this state per 68 O.S. § 2355 (E). Banks are subject to a 4% in lieu tax upon Oklahoma taxable income under 68 O.S. § 2370. This memorandum combines the revenue impact of the bank in lieu tax levy and the corporate income tax income levy declining in the same manner.

In order to determine the revenue impact the estimates from the Oklahoma Tax Commission Revenue forecast for FY23; FY24; and FY25 were used<sup>1</sup>. The chart below shows the estimated decrease in corporate tax collections by fiscal year:

FY Effect – Incremental Corporate Income Tax Rate Reduction				
	FY Conversion <sup>1</sup>	FY23	FY24	FY25
<b>Tax Year 2023</b>	<b>-\$46,934,000</b>	<b>-\$23,467,000</b>	<b>-\$23,467,000</b>	
<b>Tax Year 2024</b>	<b>-\$101,377,375</b>		<b>-\$50,688,688</b>	<b>-\$50,688,688</b>
<b>Tax Year 2025</b>	<b>-\$157,914,750</b>			<b>-\$78,957,375</b>
	<b>FY TOTAL</b>	<b>-\$23,467,000</b>	<b>-\$74,155,688</b>	<b>-\$129,646,063</b>

<sup>1</sup>Oklahoma Tax Commission - Revenue Forecasts for FY 2023; FY 2024 and FY 2025 as of February 15, 2022. Letter to Office of Management and Enterprise Services. FY23 Corporate Estimate is \$361.0 million; FY24 Corporate Estimate is \$389.9 million, and FY25 Corporate estimate is \$421.6 million.

<sup>2</sup>For purposes of this analysis the tax year reductions were split evenly between two fiscal years

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**Other Considerations**

None.