

1 STATE OF OKLAHOMA

2 1st Extraordinary Session of the 59th Legislature (2023)

3 COMMITTEE SUBSTITUTE  
4 FOR

5 HOUSE BILL NO. 1040

By: Wallace and Martinez of the  
House

6 and

7 Thompson (Roger) and Hall  
8 of the Senate

9  
10 COMMITTEE SUBSTITUTE

11 An Act relating to revenue and taxation; amending 68  
12 O.S. 2021, Section 2355, as amended by Section 45,  
13 Chapter 228, O.S.L. 2022 (68 O.S. Supp. 2355), which  
14 relates to income tax; modifying certain dollar  
15 amount for purposes of income tax liability  
16 computation; and providing an effective date.

17 BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

18 SECTION 1. AMENDATORY 68 O.S. 2021, Section 2355, as  
19 amended by Section 45, Chapter 228, O.S.L. 2022 (68 O.S. Supp. 2022,  
20 Section 2355), is amended to read as follows:

21 Section 2355. A. Individuals. For all taxable years beginning  
22 after December 31, 1998, and before January 1, 2006, a tax is hereby  
23 imposed upon the Oklahoma taxable income of every resident or  
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1 nonresident individual, which tax shall be computed at the option of  
2 the taxpayer under one of the two following methods:

3 1. METHOD 1.

4 a. Single individuals and married individuals filing  
5 separately not deducting federal income tax:

6 (1) 1/2% tax on first \$1,000.00 or part thereof,

7 (2) 1% tax on next \$1,500.00 or part thereof,

8 (3) 2% tax on next \$1,250.00 or part thereof,

9 (4) 3% tax on next \$1,150.00 or part thereof,

10 (5) 4% tax on next \$1,300.00 or part thereof,

11 (6) 5% tax on next \$1,500.00 or part thereof,

12 (7) 6% tax on next \$2,300.00 or part thereof, and

13 (8) (a) for taxable years beginning after December

14 31, 1998, and before January 1, 2002, 6.75%

15 tax on the remainder,

16 (b) for taxable years beginning on or after

17 January 1, 2002, and before January 1, 2004,

18 7% tax on the remainder, and

19 (c) for taxable years beginning on or after

20 January 1, 2004, 6.65% tax on the remainder.

21 b. Married individuals filing jointly and surviving

22 spouse to the extent and in the manner that a

23 surviving spouse is permitted to file a joint return

24 under the provisions of the Internal Revenue Code and

1 heads of households as defined in the Internal Revenue  
2 Code not deducting federal income tax:

3 (1) 1/2% tax on first \$2,000.00 or part thereof,

4 (2) 1% tax on next \$3,000.00 or part thereof,

5 (3) 2% tax on next \$2,500.00 or part thereof,

6 (4) 3% tax on next \$2,300.00 or part thereof,

7 (5) 4% tax on next \$2,400.00 or part thereof,

8 (6) 5% tax on next \$2,800.00 or part thereof,

9 (7) 6% tax on next \$6,000.00 or part thereof, and

10 (8) (a) for taxable years beginning after December

11 31, 1998, and before January 1, 2002, 6.75%

12 tax on the remainder,

13 (b) for taxable years beginning on or after

14 January 1, 2002, and before January 1, 2004,

15 7% tax on the remainder, and

16 (c) for taxable years beginning on or after

17 January 1, 2004, 6.65% tax on the remainder.

18 2. METHOD 2.

19 a. Single individuals and married individuals filing

20 separately deducting federal income tax:

21 (1) 1/2% tax on first \$1,000.00 or part thereof,

22 (2) 1% tax on next \$1,500.00 or part thereof,

23 (3) 2% tax on next \$1,250.00 or part thereof,

24 (4) 3% tax on next \$1,150.00 or part thereof,

- 1 (5) 4% tax on next \$1,200.00 or part thereof,
- 2 (6) 5% tax on next \$1,400.00 or part thereof,
- 3 (7) 6% tax on next \$1,500.00 or part thereof,
- 4 (8) 7% tax on next \$1,500.00 or part thereof,
- 5 (9) 8% tax on next \$2,000.00 or part thereof,
- 6 (10) 9% tax on next \$3,500.00 or part thereof, and
- 7 (11) 10% tax on the remainder.

8 b. Married individuals filing jointly and surviving  
9 spouse to the extent and in the manner that a  
10 surviving spouse is permitted to file a joint return  
11 under the provisions of the Internal Revenue Code and  
12 heads of households as defined in the Internal Revenue  
13 Code deducting federal income tax:

- 14 (1) 1/2% tax on the first \$2,000.00 or part thereof,
- 15 (2) 1% tax on the next \$3,000.00 or part thereof,
- 16 (3) 2% tax on the next \$2,500.00 or part thereof,
- 17 (4) 3% tax on the next \$1,400.00 or part thereof,
- 18 (5) 4% tax on the next \$1,500.00 or part thereof,
- 19 (6) 5% tax on the next \$1,600.00 or part thereof,
- 20 (7) 6% tax on the next \$1,250.00 or part thereof,
- 21 (8) 7% tax on the next \$1,750.00 or part thereof,
- 22 (9) 8% tax on the next \$3,000.00 or part thereof,
- 23 (10) 9% tax on the next \$6,000.00 or part thereof, and
- 24 (11) 10% tax on the remainder.

1 B. Individuals. For all taxable years beginning on or after  
2 January 1, 2008, and ending any tax year which begins after December  
3 31, 2015, for which the determination required pursuant to Sections  
4 4 and 5 of this act is made by the State Board of Equalization, a  
5 tax is hereby imposed upon the Oklahoma taxable income of every  
6 resident or nonresident individual, which tax shall be computed as  
7 follows:

8 1. Single individuals and married individuals filing  
9 separately:

- 10 (a) 1/2% tax on first \$1,000.00 or part thereof,
- 11 (b) 1% tax on next \$1,500.00 or part thereof,
- 12 (c) 2% tax on next \$1,250.00 or part thereof,
- 13 (d) 3% tax on next \$1,150.00 or part thereof,
- 14 (e) 4% tax on next \$2,300.00 or part thereof,
- 15 (f) 5% tax on next \$1,500.00 or part thereof,
- 16 (g) 5.50% tax on the remainder for the 2008 tax year and  
17 any subsequent tax year unless the rate prescribed by  
18 subparagraph (h) of this paragraph is in effect, and
- 19 (h) 5.25% tax on the remainder for the 2009 and subsequent  
20 tax years. The decrease in the top marginal  
21 individual income tax rate otherwise authorized by  
22 this subparagraph shall be contingent upon the  
23 determination required to be made by the State Board  
24

1 of Equalization pursuant to Section 2355.1A of this  
2 title.

3 2. Married individuals filing jointly and surviving spouse to  
4 the extent and in the manner that a surviving spouse is permitted to  
5 file a joint return under the provisions of the Internal Revenue  
6 Code and heads of households as defined in the Internal Revenue  
7 Code:

8 (a) 1/2% tax on first \$2,000.00 or part thereof,

9 (b) 1% tax on next \$3,000.00 or part thereof,

10 (c) 2% tax on next \$2,500.00 or part thereof,

11 (d) 3% tax on next \$2,300.00 or part thereof,

12 (e) 4% tax on next \$2,400.00 or part thereof,

13 (f) 5% tax on next \$2,800.00 or part thereof,

14 (g) 5.50% tax on the remainder for the 2008 tax year and  
15 any subsequent tax year unless the rate prescribed by  
16 subparagraph (h) of this paragraph is in effect, and

17 (h) 5.25% tax on the remainder for the 2009 and subsequent  
18 tax years. The decrease in the top marginal  
19 individual income tax rate otherwise authorized by  
20 this subparagraph shall be contingent upon the  
21 determination required to be made by the State Board  
22 of Equalization pursuant to Section 2355.1A of this  
23 title.

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1 C. Individuals. For all taxable years beginning on or after  
2 January 1, ~~2022~~ 2024, a tax is hereby imposed upon the Oklahoma  
3 taxable income of every resident or nonresident individual, which  
4 tax shall be computed as follows:

5 1. Single individuals and married individuals filing  
6 separately:

- 7 (a) 0.25% tax on first \$1,000.00 or part thereof,
- 8 (b) 0.75% tax on next \$1,500.00 or part thereof,
- 9 (c) 1.75% tax on next \$1,250.00 or part thereof,
- 10 (d) 2.75% tax on next \$1,150.00 or part thereof,
- 11 (e) 3.75% tax on next \$2,300.00 or part thereof,
- 12 (f) 4.75% tax on the remainder.

13 2. Married individuals filing jointly and surviving spouse to  
14 the extent and in the manner that a surviving spouse is permitted to  
15 file a joint return under the provisions of the Internal Revenue  
16 Code and heads of households as defined in the Internal Revenue  
17 Code:

- 18 (a) 0.25% tax on first \$2,000.00 or part thereof,
- 19 (b) 0.75% tax on next \$3,000.00 or part thereof,
- 20 (c) 1.75% tax on next \$2,500.00 or part thereof,
- 21 (d) 2.75% tax on next \$2,300.00 or part thereof,
- 22 (e) 3.75% tax on next ~~\$2,400.00~~ \$4,600.00 or part thereof,
- 23 (f) 4.75% tax on the remainder.

1 No deduction for federal income taxes paid shall be allowed to  
2 any taxpayer to arrive at taxable income.

3 D. Nonresident aliens. In lieu of the rates set forth in  
4 subsection A above, there shall be imposed on nonresident aliens, as  
5 defined in the Internal Revenue Code, a tax of eight percent (8%)  
6 instead of thirty percent (30%) as used in the Internal Revenue  
7 Code, with respect to the Oklahoma taxable income of such  
8 nonresident aliens as determined under the provision of the Oklahoma  
9 Income Tax Act.

10 Every payer of amounts covered by this subsection shall deduct  
11 and withhold from such amounts paid each payee an amount equal to  
12 eight percent (8%) thereof. Every payer required to deduct and  
13 withhold taxes under this subsection shall for each quarterly period  
14 on or before the last day of the month following the close of each  
15 such quarterly period, pay over the amount so withheld as taxes to  
16 the Tax Commission, and shall file a return with each such payment.  
17 Such return shall be in such form as the Tax Commission shall  
18 prescribe. Every payer required under this subsection to deduct and  
19 withhold a tax from a payee shall, as to the total amounts paid to  
20 each payee during the calendar year, furnish to such payee, on or  
21 before January 31, of the succeeding year, a written statement  
22 showing the name of the payer, the name of the payee and the payee's  
23 Social Security account number, if any, the total amount paid  
24 subject to taxation, and the total amount deducted and withheld as

1 tax and such other information as the Tax Commission may require.  
2 Any payer who fails to withhold or pay to the Tax Commission any  
3 sums herein required to be withheld or paid shall be personally and  
4 individually liable therefor to the State of Oklahoma.

5 E. Corporations. For all taxable years beginning after  
6 December 31, 2021, a tax is hereby imposed upon the Oklahoma taxable  
7 income of every corporation doing business within this state or  
8 deriving income from sources within this state in an amount equal to  
9 four percent (4%) thereof.

10 There shall be no additional Oklahoma income tax imposed on  
11 accumulated taxable income or on undistributed personal holding  
12 company income as those terms are defined in the Internal Revenue  
13 Code.

14 F. Certain foreign corporations. In lieu of the tax imposed in  
15 the first paragraph of subsection D of this section, for all taxable  
16 years beginning after December 31, 2021, there shall be imposed on  
17 foreign corporations, as defined in the Internal Revenue Code, a tax  
18 of four percent (4%) instead of thirty percent (30%) as used in the  
19 Internal Revenue Code, where such income is received from sources  
20 within Oklahoma, in accordance with the provisions of the Internal  
21 Revenue Code and the Oklahoma Income Tax Act.

22 Every payer of amounts covered by this subsection shall deduct  
23 and withhold from such amounts paid each payee an amount equal to  
24 four percent (4%) thereof. Every payer required to deduct and

1 withhold taxes under this subsection shall for each quarterly period  
2 on or before the last day of the month following the close of each  
3 such quarterly period, pay over the amount so withheld as taxes to  
4 the Tax Commission, and shall file a return with each such payment.  
5 Such return shall be in such form as the Tax Commission shall  
6 prescribe. Every payer required under this subsection to deduct and  
7 withhold a tax from a payee shall, as to the total amounts paid to  
8 each payee during the calendar year, furnish to such payee, on or  
9 before January 31, of the succeeding year, a written statement  
10 showing the name of the payer, the name of the payee and the payee's  
11 Social Security account number, if any, the total amounts paid  
12 subject to taxation, the total amount deducted and withheld as tax  
13 and such other information as the Tax Commission may require. Any  
14 payer who fails to withhold or pay to the Tax Commission any sums  
15 herein required to be withheld or paid shall be personally and  
16 individually liable therefor to the State of Oklahoma.

17 G. Fiduciaries. A tax is hereby imposed upon the Oklahoma  
18 taxable income of every trust and estate at the same rates as are  
19 provided in subsection B or C of this section for single  
20 individuals. Fiduciaries are not allowed a deduction for any  
21 federal income tax paid.

22 H. Tax rate tables. For all taxable years beginning after  
23 December 31, 1991, in lieu of the tax imposed by subsection A, B or  
24 C of this section, as applicable there is hereby imposed for each

1 taxable year on the taxable income of every individual, whose  
2 taxable income for such taxable year does not exceed the ceiling  
3 amount, a tax determined under tables, applicable to such taxable  
4 year which shall be prescribed by the Tax Commission and which shall  
5 be in such form as it determines appropriate. In the table so  
6 prescribed, the amounts of the tax shall be computed on the basis of  
7 the rates prescribed by subsection A, B or C of this section. For  
8 purposes of this subsection, the term "ceiling amount" means, with  
9 respect to any taxpayer, the amount determined by the Tax Commission  
10 for the tax rate category in which such taxpayer falls.

11 SECTION 2. This act shall become effective January 1, 2024.

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13 59-1EX-50126 JM 05/23/23

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