

STATE OF OKLAHOMA

2nd Session of the 59th Legislature (2024)

HOUSE BILL 3058

By: Steagall

AS INTRODUCED

An Act relating to revenue and taxation; amending 68 O.S. 2021, Section 2355, as last amended by Section 1, Chapter 27, O.S.L. 2023, 1st Extraordinary Session of the 59th Oklahoma Legislature (68 O.S. Supp. 2023, Section 2355), which relates to income taxation; providing for reduction of individual income tax rates; providing formula for income tax rate reductions; providing for reduction of corporate income tax rate; providing formula for income tax rate reductions; specifying income tax years for which reductions applicable; modifying references; amending 68 O.S. 2021, Section 2355.1P-4, which relates to income tax imposed on certain business entities; providing for reduction of tax rates; and providing an effective date.

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

SECTION 1. AMENDATORY 68 O.S. 2021, Section 2355, as last amended by Section 1, Chapter 27, O.S.L. 2023, 1st Extraordinary Session of the 59th Oklahoma Legislature (68 O.S. Supp. 2023, Section 2355), is amended to read as follows:

Section 2355. A. Individuals. For all taxable years beginning after December 31, 1998, and before January 1, 2006, a tax is hereby

1 imposed upon the Oklahoma taxable income of every resident or
2 nonresident individual, which tax shall be computed at the option of
3 the taxpayer under one of the two following methods:

4 1. METHOD 1.

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

7 (1) 1/2% tax on first \$1,000.00 or part thereof,

8 (2) 1% tax on next \$1,500.00 or part thereof,

9 (3) 2% tax on next \$1,250.00 or part thereof,

10 (4) 3% tax on next \$1,150.00 or part thereof,

11 (5) 4% tax on next \$1,300.00 or part thereof,

12 (6) 5% tax on next \$1,500.00 or part thereof,

13 (7) 6% tax on next \$2,300.00 or part thereof, and

14 (8) (a) for taxable years beginning after December
15 31, 1998, and before January 1, 2002, 6.75%
16 tax on the remainder,

17 (b) for taxable years beginning on or after
18 January 1, 2002, and before January 1, 2004,
19 7% tax on the remainder, and

20 (c) for taxable years beginning on or after
21 January 1, 2004, 6.65% tax on the remainder.

22 b. Married individuals filing jointly and surviving
23 spouse to the extent and in the manner that a
24 surviving spouse is permitted to file a joint return
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1 under the provisions of the Internal Revenue Code and
2 heads of households as defined in the Internal Revenue
3 Code not deducting federal income tax:

4 (1) 1/2% tax on first \$2,000.00 or part thereof,

5 (2) 1% tax on next \$3,000.00 or part thereof,

6 (3) 2% tax on next \$2,500.00 or part thereof,

7 (4) 3% tax on next \$2,300.00 or part thereof,

8 (5) 4% tax on next \$2,400.00 or part thereof,

9 (6) 5% tax on next \$2,800.00 or part thereof,

10 (7) 6% tax on next \$6,000.00 or part thereof, and

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

12 31, 1998, and before January 1, 2002, 6.75%
13 tax on the remainder,

14 (b) for taxable years beginning on or after

15 January 1, 2002, and before January 1, 2004,
16 7% tax on the remainder, and

17 (c) for taxable years beginning on or after

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

19 2. METHOD 2.

20 a. Single individuals and married individuals filing
21 separately deducting federal income tax:

22 (1) 1/2% tax on first \$1,000.00 or part thereof,

23 (2) 1% tax on next \$1,500.00 or part thereof,

24 (3) 2% tax on next \$1,250.00 or part thereof,
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- 1 (4) 3% tax on next \$1,150.00 or part thereof,
- 2 (5) 4% tax on next \$1,200.00 or part thereof,
- 3 (6) 5% tax on next \$1,400.00 or part thereof,
- 4 (7) 6% tax on next \$1,500.00 or part thereof,
- 5 (8) 7% tax on next \$1,500.00 or part thereof,
- 6 (9) 8% tax on next \$2,000.00 or part thereof,
- 7 (10) 9% tax on next \$3,500.00 or part thereof, and
- 8 (11) 10% tax on the remainder.

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

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

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

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

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

12 (b) 1% tax on next \$1,500.00 or part thereof,

13 (c) 2% tax on next \$1,250.00 or part thereof,

14 (d) 3% tax on next \$1,150.00 or part thereof,

15 (e) 4% tax on next \$2,300.00 or part thereof,

16 (f) 5% tax on next \$1,500.00 or part thereof,

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

20 (h) 5.25% tax on the remainder for the 2009 and subsequent
21 tax years. The decrease in the top marginal
22 individual income tax rate otherwise authorized by
23 this subparagraph shall be contingent upon the
24 determination required to be made by the State Board
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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.

1 C. Individuals. For all taxable years beginning on or after
2 January 1, ~~2022~~ 2024, and ending not later than December 31, 2024, a
3 tax is hereby imposed upon the Oklahoma taxable income of every
4 resident or nonresident individual, which tax shall be computed as
5 follows:

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

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

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

- 19 (a) 0.25% tax on first \$2,000.00 or part thereof,
- 20 (b) 0.75% tax on next \$3,000.00 or part thereof,
- 21 (c) 1.75% tax on next \$2,500.00 or part thereof,
- 22 (d) 2.75% tax on next \$2,300.00 or part thereof,
- 23 (e) 3.75% tax on next \$4,600.00 or part thereof,
- 24 (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. For taxable years beginning on or after January 1, 2025, the
4 rate of tax otherwise prescribed by each of subparagraphs (a)
5 through (f) of paragraph 1 and paragraph 2 of subsection C of this
6 section, expressed as a decimal, shall be divided by the whole
7 number ten (10). The result of that computation shall be the
8 numeral used for a reduction of the otherwise applicable income tax
9 rate in each of those subparagraphs for each income tax year
10 beginning with the 2025 income tax year. Each income tax rate shall
11 be reduced by the amount resulting from the computation required by
12 this subsection for each taxable year until the rate of tax equals
13 zero (0). No income tax shall be imposed for any individual income
14 tax year thereafter.

15 E. Nonresident aliens. In lieu of the rates set forth in this
16 subsection ~~A above~~, there shall be imposed on nonresident aliens, as
17 defined in the Internal Revenue Code, a tax of eight percent (8%),
18 or the applicable amount based upon the income tax rate reductions
19 prescribed by subsection D of this section, instead of thirty
20 percent (30%) as used in the Internal Revenue Code, with respect to
21 the Oklahoma taxable income of such nonresident aliens as determined
22 under the provision of the Oklahoma Income Tax Act.

23 F. Every payer of amounts covered by ~~this~~ subsection E of this
24 section shall deduct and withhold from such amounts paid each payee
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1 an amount equal to ~~eight percent (8%)~~ the applicable percentage
2 thereof based upon the income tax rate reductions prescribed by
3 subsection D of this section. Every payer required to deduct and
4 withhold taxes under this subsection shall for each quarterly period
5 on or before the last day of the month following the close of each
6 such quarterly period, pay over the amount so withheld as taxes to
7 the Tax Commission, and shall file a return with each such payment.
8 Such return shall be in such form as the Tax Commission shall
9 prescribe. Every payer required under this subsection to deduct and
10 withhold a tax from a payee shall, as to the total amounts paid to
11 each payee during the calendar year, furnish to such payee, on or
12 before January 31, of the succeeding year, a written statement
13 showing the name of the payer, the name of the payee and the payee's
14 Social Security account number, if any, the total amount paid
15 subject to taxation, and the total amount deducted and withheld as
16 tax and such other information as the Tax Commission may require.
17 Any payer who fails to withhold or pay to the Tax Commission any
18 sums herein required to be withheld or paid shall be personally and
19 individually liable therefor to the State of Oklahoma.

20 E. G. Corporations. ~~For all taxable years beginning after~~
21 ~~December 31, 2021,~~ a A tax is hereby imposed upon the Oklahoma
22 taxable income of every corporation doing business within this state
23 or deriving income from sources within this state in an amount equal
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1 to four percent (4%) thereof or the applicable reduced percentage as
2 prescribed by this subsection.

3 1. There shall be no additional Oklahoma income tax imposed on
4 accumulated taxable income or on undistributed personal holding
5 company income as those terms are defined in the Internal Revenue
6 Code thereof.

7 2. For all taxable years for corporations using a calendar year
8 for income tax reporting purposes, the changes in the income tax
9 rate prescribed by this paragraph shall become effective January 1,
10 2025. For all taxable years for corporations using a fiscal year
11 for income tax reporting purposes, the changes in the income tax
12 rate prescribed by this paragraph shall become effective for the
13 first tax year which begins after January 1, 2025. The rate of tax
14 otherwise imposed pursuant to the provisions of this subsection,
15 expressed as a decimal, shall be divided by the whole number ten
16 (10). The result of that computation shall be the numeral used for
17 a reduction of the otherwise applicable income tax rate beginning
18 with the 2025 income tax year. The income tax rate otherwise
19 prescribed by this subsection shall be reduced by the amount
20 resulting from the computation required by this paragraph for each
21 taxable year until the rate of tax equals zero (0). No income tax
22 shall be imposed for any income tax year thereafter.

23 ~~F.~~ H. Certain foreign corporations.
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1 1. In lieu of the tax imposed ~~in the first paragraph of~~
2 ~~subsection D of~~ by this section, ~~for all taxable years beginning~~
3 ~~after December 31, 2021,~~ there shall be imposed on foreign
4 corporations, as defined in the Internal Revenue Code, a tax of four
5 percent (4%) instead of thirty percent (30%) as used in the Internal
6 Revenue Code, where such income is received from sources within
7 Oklahoma, in accordance with the provisions of the Internal Revenue
8 Code and the Oklahoma Income Tax Act.

9 2. For all taxable years for corporations using a calendar year
10 for income tax reporting purposes, the changes in the income tax
11 rate prescribed by this paragraph shall become effective January 1,
12 2025. For all taxable years for corporations using a fiscal year
13 for income tax reporting purposes, the changes in the income tax
14 rate prescribed by this paragraph shall become effective for the
15 first tax year which begins after January 1, 2025. The rate of tax
16 otherwise imposed pursuant to the provisions of this subsection,
17 expressed as a decimal, shall be divided by the whole number ten
18 (10). The result of that computation shall be the numeral used for
19 a reduction of the otherwise applicable income tax rate beginning
20 with the 2025 income tax year. The income tax rate otherwise
21 prescribed by this subsection shall be reduced by the amount
22 resulting from the computation required by this paragraph for each
23 taxable year until the rate of tax equals zero (0). No income tax
24 shall be imposed for any income tax year thereafter.

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

22 ~~G.~~ I. Fiduciaries. A tax is hereby imposed upon the Oklahoma
23 taxable income of every trust and estate at the same rates as are
24 provided in subsection B ~~or~~, C, or D of this section for single
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1 individuals. Fiduciaries are not allowed a deduction for any
2 federal income tax paid.

3 ~~H.~~ J. Tax rate tables. For all taxable years beginning after
4 December 31, ~~1991~~ 2024, in lieu of the tax imposed by subsection A,
5 B ~~or~~, C, or D of this section, as applicable there is hereby imposed
6 for each taxable year on the taxable income of every individual,
7 whose taxable income for such taxable year does not exceed the
8 ceiling amount, a tax determined under tables, applicable to such
9 taxable year which shall be prescribed by the Tax Commission and
10 which shall be in such form as it determines appropriate. In the
11 table so prescribed, the amounts of the tax shall be computed on the
12 basis of the rates prescribed by subsection A, B ~~or~~, C, or D of this
13 section. For purposes of this subsection, the term "ceiling amount"
14 means, with respect to any taxpayer, the amount determined by the
15 Tax Commission for the tax rate category in which such taxpayer
16 falls.

17 SECTION 2. AMENDATORY 68 O.S. 2021, Section 2355.1P-4,
18 is amended to read as follows:

19 Section 2355.1P-4 A. ~~For~~ Except as otherwise provided by
20 subsection I of this section, for tax years beginning on or after
21 January 1, 2022, there is hereby levied on each electing pass-
22 through entity the pass-through entity tax which shall be calculated
23 as follows:
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1 1. With regard to each member of an electing pass-through
2 entity, the electing pass-through entity shall multiply such
3 member's Oklahoma distributive share of the electing pass-through
4 entity's Oklahoma net entity income for the tax year by:

- 5 a. the highest Oklahoma marginal income tax rate levied
6 on the taxable income of natural persons pursuant to
7 Section 2355 of this title if the member is an
8 individual, trust, or estate,
- 9 b. four percent (4%) if the member is classified as a
10 corporation pursuant to the Internal Revenue Code, and
11 is not classified as an S corporation,
- 12 c. four percent (4%) if the member is a pass-through
13 entity,
- 14 d. four percent (4%) if the member is a financial
15 institution subject to tax imposed pursuant to the
16 provisions of Section 2370 of this title, and
- 17 e. the highest Oklahoma marginal income tax rate that
18 would be applicable to any item of the electing pass-
19 through entity's income or gain without the election
20 made pursuant to subsection F of this section, if the
21 member is an organization described in Section 2359 of
22 this title; and

23 2. The electing pass-through entity shall aggregate the amounts
24 determined with respect to all members pursuant to paragraph 1 of
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1 this subsection and the pass-through entity tax for the applicable
2 tax year shall be equal to such aggregated tax amount for the tax
3 year with respect to which the election has been made.

4 B. Sections 2385.29, 2385.30 and 2385.31 of this title shall
5 not be applicable to an electing pass-through entity.

6 C. The pass-through entity tax shall be due and payable on the
7 same date as provided for the filing of the electing pass-through
8 entity's Oklahoma income tax return, and for tax years beginning on
9 or after January 1, 2020, estimated tax payments shall be required
10 as provided in Section 2385.9 of this title.

11 D. If the pass-through entity election results in a net entity
12 loss for Oklahoma income tax purposes in any tax year, the net
13 entity loss may be carried back and carried forward by the electing
14 pass-through entity for Oklahoma income tax purposes as set forth in
15 subparagraph b of paragraph 3 of subsection A of Section 2358 of
16 this title.

17 E. Notwithstanding paragraph 2 of subsection C of Section 2368
18 of this title, a nonresident individual who is a member of an
19 electing pass-through entity is not required to file an Oklahoma
20 income tax return, if, for the taxable year, the only source of
21 income allocable or apportionable to this state for the member, or,
22 if a joint income tax return is filed, the member and his or her
23 spouse, is from one or more electing pass-through entities, and each
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1 electing pass-through entity files and pays the taxes due under this
2 section.

3 F. Any entity required to file an Oklahoma partnership income
4 tax return or an Oklahoma S corporation income tax return may elect
5 to become an electing pass-through entity. The election shall be
6 made on such form and in such manner as the Oklahoma Tax Commission
7 may prescribe, and any election under this subsection shall have
8 priority over and revoke any election to file a composite Oklahoma
9 partnership return or requirement of a Subchapter S corporation to
10 report and pay tax on behalf of a nonresident shareholder for the
11 same tax year.

12 G. Pursuant to procedures prescribed by the Tax Commission, if
13 the amount of tax required to be paid by a pass-through entity
14 pursuant to the provisions of this section is not paid when due, the
15 Oklahoma Tax Commission may revoke the pass-through entity's
16 election under subsection F of this section effective for the first
17 year for which the tax is not paid.

18 H. The election authorized by the provisions of this section
19 shall be made pursuant to procedures prescribed by the Tax
20 Commission and shall be filed (i) within sixty (60) days of
21 enactment and pursuant to procedures prescribed by the Oklahoma Tax
22 Commission for any income tax year beginning on or after January 1,
23 2019, and prior to January 1, 2020, or (ii) for any income tax year
24 beginning on or after January 1, 2020, at any time during the

1 preceding tax year or two (2) months and fifteen (15) days after the
2 beginning of the tax year. Any such election shall be binding until
3 revoked pursuant to procedures prescribed by the Tax Commission.
4 The effective date of a revocation (i) made within two (2) months
5 and fifteen (15) days of the electing pass-through entity's taxable
6 year shall be the first day of such taxable year and (ii) made
7 during the electing pass-through entity's taxable year but after
8 such fifteenth day shall be effective on the first day of the
9 following taxable year. No election made by a pass-through entity
10 with respect to income tax to be paid by such entity using the
11 calculations prescribed by this section shall be binding on any
12 other pass-through entity, and each pass-through entity shall be
13 able to make an election under the provisions of this act
14 independently.

15 I. For all taxable years for corporations using a calendar year
16 for income tax reporting purposes, the changes in the income tax
17 rate prescribed by this subsection shall become effective January 1,
18 2025. For all taxable years for corporations using a fiscal year
19 for income tax reporting purposes, the changes in the income tax
20 rate prescribed by this subsection shall become effective for the
21 first tax year which begins after January 1, 2025. The rate of tax
22 otherwise imposed pursuant to the provisions of paragraph 1 of
23 subsection A of this section, expressed as a decimal, shall be
24 divided by the whole number ten (10). The result of that

1 computation shall be the numeral used for a reduction of the
2 otherwise applicable income tax rate beginning with the applicable
3 income tax year. The income tax rate otherwise prescribed by
4 paragraph 1 of subsection A of this section shall be reduced by the
5 amount resulting from the computation required by this subsection
6 for each taxable year until the rate of tax equals zero (0). No
7 income tax shall be imposed for any income tax year thereafter.

8 SECTION 3. This act shall become effective January 1, 2024.

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