

BILL SUMMARY
1st Session of the 59th Legislature

Bill No.:	HB1375
Version:	FA1
Request Number:	
Author:	Boatman
Date:	3/13/2023
Impact:	FY23: \$0
	FY24: Unknown, potential decrease to corporate income tax collections

Research Analysis

Floor Amendment 1 to HB1375 adds property received through a complete subsidiary liquidation transaction to the list of investments, improvements or expenditures that may count towards the \$100 million qualifying investment qualifier.

As amended, HB1375 requires all corporations to use a 100 percent single sales factor apportionment formula to complete state taxable income beginning tax year 2024. There is an exception for qualifying corporations with property investments, improvements or expenditures totaling \$100 million or more over a period of three years. Such corporations may elect to use a single sales factors apportionment formula or the three factor property, sales and payroll apportionment formula. Qualifying investments, improvements or expenditures can include, but are not limited to, expenditures for intangible drilling costs, track structure expenditures and property received in a complete subsidiary liquidation transaction.

Prepared By: Quyen Do

Fiscal Analysis

As introduced, HB1375 amends the method by which Oklahoma corporate income tax is calculated. This measure may result in a decrease in state revenues in fiscal year 2024.

Oklahoma sales in determining apportionment. Under existing law, a taxpayer is required to include sales of tangible personal property if the property is shipped from an office, store, warehouse, factory, or other place of storage in Oklahoma and the taxpayer is not doing business in the state of the destination of the shipment. Stated differently, sales to states which are untaxed (because the taxpayer is not subject to tax in that state) are recaptured and placed in the Oklahoma sales factor.

If the throwback rule is eliminated, companies subject to corporate income tax in Oklahoma will no longer be required to include these sales in their Oklahoma sales factor.

Corporate taxpayer apportionment data is unavailable, so the revenue impact of this measure is unknown. Single sales factor apportionment tends to benefit some taxpayers while burdening others.⁴ With this measure being effective for tax year 2024, changes to estimated tax payments could result in a potential decrease in Oklahoma corporate income tax collections as early as FY24.

The floor amendment should not change the fiscal impact of this bill.

Prepared By: Zachary Penrod, House Fiscal Staff

Other Considerations

None.