

**BILL SUMMARY**  
1<sup>st</sup> Session of the 59<sup>th</sup> Legislature

<b>Bill No.:</b>	<b>HB1375</b>
<b>Version:</b>	<b>Introduced</b>
<b>Request Number:</b>	<b>5156</b>
<b>Author:</b>	<b>Boatman</b>
<b>Date:</b>	<b>2/10/2023</b>
<b>Impact:</b>	<b>FY23: \$0</b>
	<b>FY24: Unknown, potential decrease to corporate income tax collections</b>

**Research Analysis**

HB1375, as introduced, allows qualifying corporations with property investments, improvements or expenditures totaling \$100 million or more over a period of three years to elect to compute state taxable income using two different methods effective tax year 2024. Qualifying expenditures can include, but are not limited to, expenditures for intangible drilling costs and track structure expenditures.

The two methods allowed for qualifying corporations are:

- 100 percent single sales factor apportionment formula; or
- Three factor apportionment formula, consisting of the average of property, payroll and sales.

All other corporations will be required to use the 100 percent single sales factor apportionment formula to compute state taxable income effective tax year 2024.

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.<sup>4</sup> 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.

Prepared By: Zachary Penrod, House Fiscal Staff

### **Other Considerations**

None.