

## BILL SUMMARY

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

<b>Bill No.:</b>	<b>HB1954</b>
<b>Version:</b>	<b>Introduced</b>
<b>Request Number:</b>	<b>7152</b>
<b>Author:</b>	<b>Speaker McCall</b>
<b>Date:</b>	<b>3/2/2023</b>
<b>Impact:</b>	<b>Reductions to Income Tax Collections:</b>
	<b>FY-24: \$182.2 Million</b>
	<b>FY-25: \$464.8 Million</b>

### Research Analysis

HB1954, as introduced, reduces the personal income tax (PIT) rates for all tax brackets by .5 percent beginning tax year 2024. The top marginal PIT rate would be 4.25 percent compared to the current 4.75 percent.

Prepared By: Quyen Do

### Fiscal Analysis

Officials for the Oklahoma Tax Commission (OTC) identify the following fiscal implications as a result of the provisions of HB 1954 in its current form:

#### **REVENUE IMPACT:**

Insert dollar amount (plus or minus) of the expected change in state revenues due to this proposed legislation.

FY 23: None

FY 24: Decrease of \$182.2 million in income tax collections.

FY 25: Decrease of \$464.8 million in income tax collections.

HB 1954 proposes to amend 68 O.S. § 2355 by decreasing the individual income tax rate by 0.5% for all income brackets<sup>1</sup> for tax year 2024 and subsequent tax years.

The effects of this proposal were estimated using the Oklahoma Individual Income Tax Microsimulation Model. The chart below shows the estimated impact by fiscal year.<sup>2</sup>

<b>FY Effect Income Tax HB 1954 - 0.50% Decrease All Income Brackets</b>				
	<b>Revenue Impact</b>			
Tax year 2024	-\$455,402,000			
Tax year 2025	-\$478,911,000			
Tax year 2026	-\$504,707,000			
<b>FY CONVERSION</b>		<b>FY24</b>	<b>FY25</b>	<b>FY26</b>
Tax year 2024	-\$455,402,000	-\$182,161,000	-\$273,241,000	
Tax year 2025	-\$478,911,000		-\$191,564,000	-\$287,347,000
Tax year 2026	-\$504,707,000			-\$201,883,000
	<b>FY TOTAL</b>	<b>-\$182,161,000</b>	<b>-\$464,805,000</b>	<b>-\$489,230,000</b>
Source: Oklahoma Individual Income Tax Micro-Simulation Model.				

Withholding and estimated tax payments would change as a result of the enactment of this measure which would occur in part in FY24. It is expected the revenue impact for FY24 would be a decrease of \$182.2 million in income tax collections and for FY25 a decrease of \$464.8 million in income tax collections.

<sup>1</sup> Under current law the lowest income bracket for all filing statuses is subject to a 0.25% income tax rate. For purposes of this analysis, the lowest bracket for all filing statuses is subject to a 0% income tax rate.

<sup>2</sup> The fiscal year impacts considered changes to the withholding tables and estimated tax payments due to the income tax rate reduction.

## INDIVIDUAL INCOME TAX BRACKETS

<b>Current Law - Married Filing Joint; Head of Household and Surviving Spouse Brackets</b>								
If Taxable Income Is:								
0	-	\$2,000	Pay	\$0	plus	0.25%	over	\$0
\$2,001	-	\$5,000	Pay	\$5.00	plus	0.75%	over	\$2,000
\$5,001	-	\$7,500	Pay	\$27.50	plus	1.75%	over	\$5,000
\$7,501	-	\$9,800	Pay	\$71.25	plus	2.75%	over	\$7,500
\$9,801	-	\$12,200	Pay	\$134.50	plus	3.75%	over	\$9,800
\$12,201	and above		Pay	\$224.50	plus	4.75%	over	\$12,200

<b>Proposed Law - Married Filing Joint; Head of Household and Surviving Spouse Brackets</b>								
If Taxable Income Is:								
0	-	\$2,000	Pay	\$0.00	plus	0.00%	over	\$0
\$2,001	-	\$5,000	Pay	\$0.00	plus	0.25%	over	\$2,000
\$5,001	-	\$7,500	Pay	\$7.50	plus	1.25%	over	\$5,000
\$7,501	-	\$9,800	Pay	\$38.75	plus	2.25%	over	\$7,500
\$9,801	-	\$12,200	Pay	\$90.50	plus	3.25%	over	\$9,800
\$12,201	and above		Pay	\$168.50	plus	4.25%	over	\$12,200

<b>Current Law - Single and Married Filing Separate Brackets</b>								
If Taxable Income Is:								
\$0	-	\$1,000	Pay	\$0.00	plus	0.25%	over	\$0
\$1,001	-	\$2,500	Pay	\$2.50	plus	0.75%	over	\$1,000
\$2,501	-	\$3,750	Pay	\$13.75	plus	1.75%	over	\$2,500
\$3,751	-	\$4,900	Pay	\$35.63	plus	2.75%	over	\$3,750
\$4,901	-	\$7,200	Pay	\$67.25	plus	3.75%	over	\$4,900
\$7,201	and above		Pay	\$153.50	plus	4.75%	over	\$7,200

<b>Proposed Law - Single and Married Filing Separate Brackets</b>								
If Taxable Income Is:								
\$0	-	\$1,000	Pay	\$0.00	plus	0.00%	over	\$0
\$1,001	-	\$2,500	Pay	\$0.00	plus	0.25%	over	\$1,000
\$2,501	-	\$3,750	Pay	\$3.75	plus	1.25%	over	\$2,500
\$3,751	-	\$4,900	Pay	\$19.38	plus	2.25%	over	\$3,750
\$4,901	-	\$7,200	Pay	\$45.25	plus	3.25%	over	\$4,900
\$7,201	and above		Pay	\$120.00	plus	4.25%	over	\$7,200

Prepared By: House John McPhetridge, Fiscal Staff

### Other Considerations

None.