

BILL SUMMARY
1st Session of the 59th Legislature

Bill No.:	HB2025
Version:	Introduced
Request Number:	6549
Author:	Wolfley
Date:	2/17/2023
Impact:	OTC Analysis:
	FY24: \$0
	FY25: Significant unknown decrease in revenues

Research Analysis

HB2025, as introduced, allows taxpayers who claim the standard deduction on their federal income tax return to elect to itemize deductions on their state income tax return when they meet the following criteria:

Taxpayer Filing Status	Itemized Deductions	Max Federal Taxable Income
Single	more than \$10,750	less than \$40,525
Head of Household	more than \$16,650	less than \$54,200
Joint	more than \$21,500	less than \$81,050

Prepared By: Quyen Do

Fiscal Analysis

HB2025, as introduced, proposes to allow those that claim the standard deduction on their federal return to itemize their deductions on their Oklahoma return. This measure is expected to produce a significant decrease in income tax collections. Because data relevant to the number of income tax filers that will meet the requirements in this proposal is not available, the extent of the revenue decrease is unknown.

As provided by the Oklahoma Tax Commission:

This measure would allow a taxpayer that claims the standard deduction on their federal return to "itemize" on their Oklahoma return if the Oklahoma itemized deductions are in excess of:

- \$10,750 for taxpayer filing as single or married filing separately
- \$16,650.00 for taxpayers filing as head of household
- \$21,500 for taxpayers filing as married filing jointly or qualifying widower with dependent child

If that occurs, then they can claim an Oklahoma itemized deduction which is more than the current Oklahoma standard deduction. The limitations on itemized deductions (adding back of state and local taxes and the \$17,000 cap) would still apply.

If a taxpayer chooses this option, the taxpayer may not claim the standard deduction for the same tax year; provided that the federal taxable income is less than \$40,525 on a single filer return, \$54,200 for a filer claiming head of household status, or \$81,050 for a joint return.

Data is not available to estimate the number of income tax filers whose itemized deductions will be less than the federal standard deduction¹ but enough to meet the thresholds in this proposal. A significant decrease in individual income tax collections is expected in FY25 when the tax year 2024 income tax returns are filed.

Prepared By: Zachary Penrod, House Fiscal Staff

Other Considerations

None.

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