

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

<b>Bill No.:</b>	<b>HB2285</b>
<b>Version:</b>	<b>CS</b>
<b>Request Number:</b>	<b>7958</b>
<b>Author:</b>	<b>Lepak</b>
<b>Date:</b>	<b>3/08/2023</b>
<b>Impact:</b>	<b>OTC Analysis:</b>
	<b>FY24: \$56.6M revenue decrease</b>
	<b>FY25: \$145.2M revenue decrease</b>

**Research Analysis**

The committee substitute for HB2285 replaces the graduated personal income tax (PIT) rate structure with a flat 4.50 percent rate effective tax year 2024 and establishes revenue triggers that would reduce the PIT rate by .25 percent each year that certain revenue conditions are met. Beginning with the February 2024 State Board of Equalization meeting and every February meeting thereafter, the board must compare the General Revenue Fund (GRF) collections for the upcoming fiscal year to a base year GRF collection amount and find that the total collections have increased by more 1.5 percent to trigger a rate reduction. When the 8th rate reduction is authorized and the PIT rate is 2.75 percent, no further reductions will be allowed.

The measure also increases the standard deduction to the following effective tax year 2024:

- Single or married filing separately, increase from \$6,350 to \$10,350;
- Head of household, increase from \$9,350 to \$15,300;
- Married filing jointly & qualifying widower, increase from \$12,700 to \$20,700.

Prepared By: Quyen Do

**Fiscal Analysis**

HB2285 in its current form proposes to establish a trigger mechanism that may reduce the individual income tax rate by 0.25% each year that certain revenue conditions are met starting in tax year 2025. HB2285 also replaces the graduated personal income tax rate structure with a flat 4.50 percent rate. This measure is expected to decrease state revenues by \$56.6 million for FY24 and by \$145.2 million for FY25.

As provided by the Oklahoma Tax Commission:

**Revenue Impact:**

The revenue impact of this measure was estimated using the Oklahoma Individual Income Tax Micro-Simulation Model. The chart below reflects the tax year and fiscal year effects on income tax collections.<sup>4</sup>

<b>HB 2285 - FY EFFECT</b>				
<b>4.5% RATE &amp; CHANGE TO STANDARD DEDUCTION</b>				
<b>Revenue Impact</b>				
Tax year 2024	-141,397,000			
Tax year 2025	-150,823,000			
Tax year 2026	-160,881,000			
FY CONVERSION		FY24	FY25	FY26
Tax year 2024	-141,397,000	-56,559,000	-84,838,000	
Tax year 2025	-150,823,000		-60,329,000	-90,494,000
Tax year 2026	-160,881,000			-64,352,000
<b>FY TOTAL</b>		<b>-56,559,000</b>	<b>-145,167,000</b>	<b>-154,846,000</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

Prepared By: Zachary Penrod, House Fiscal Staff

**Other Considerations**

None.