

BILL SUMMARY
2nd Session of the 59th Legislature

Bill No.:	HB2949
Version:	Introduced
Request Number:	9798
Author:	Speaker McCall
Date:	2/6/2024
Impact:	FY24: \$0-111 M Decrease to income tax collections
	FY25: \$519-630MM Decrease to income tax collections

Research Analysis

HB2949, as introduced, replaces the bracket system for personal income tax with a 4.25% flat tax and increases the standard deduction limits to \$9750 for single filers, \$16,250 for heads of households and \$19,450 for joint filers effective tax year 2024.

Prepared By: Quyen Do

Fiscal Analysis

Officials for the Oklahoma Tax Commission have analyzed the impact of this measure as follows:

CURRENT LAW & PROPOSED AMENDMENTS:

Tax Rate. Under current law, income tax is levied on taxable income using income tax brackets that can be found on the last page of this analysis. Beginning with tax year 2024, this measure would replace the graduated income tax rate structure with a single tax rate of 4.25% on Oklahoma taxable income as shown in the chart below:

Filing Status	0% applies to Oklahoma Taxable Income	4.25% applies to
Married Filing Joint / Surviving Spouse	\$19,450 and less	\$19,451 and above
Single / Married Filing Separate	\$9,750 and less	\$9,751 and above
Head of Household	\$16,250 and less	\$16,251 and above

Standard Deduction. Additionally, this measure would eliminate the amount of standard deduction² that is allowed to compute Oklahoma taxable income.

ANTICIPATED IMPACT:

The effects of this proposal were estimated using the Oklahoma Individual Income Tax Microsimulation Model. The chart below shows the estimated impact by tax year.

HB 2949 – Single Tax Rate @ 4.25%

Revenue Impact

Tax year 2024	-\$443,915,000
Tax year 2025	-\$465,871,000
Tax year 2026	-\$488,628,000

Source: Oklahoma Individual Income Tax Micro-Simulation Model.

Withholding and estimated tax payments will change because of the enactment of this measure; however, it is unknown how much of the tax year 2024 impact will occur in FY 24 versus FY 25 due to the uncertainty of when this measure will be enacted. Withholding tables will not be adjusted to reflect the proposed new income tax rate until the bill has gone into effect. Assuming the bill is enacted and effective in March, April, or May of 2024, withholding tables would be adjusted for April, May, and June wages respectively. The expected revenue impact would be a decrease of between \$0 and \$111 million in individual income tax collections for FY24, and a decrease of between \$519.3 million and \$630.3 million in individual income tax collections for FY25.

HB 2949 proposes to amend 68 O.S. § 2355 and 68 O.S. § 2355.1P-4¹ relating to the individual income tax rate, as well as 68 O.S. § 2358 relating to the Oklahoma standard deduction effective for tax year 2024 and subsequent tax years.

EFFECTIVE DATE: January 1, 2024

REVENUE IMPACT:

The effects of this proposal were estimated using the Oklahoma Individual Income Tax Microsimulation Model. It is unknown how much of the tax year 2024 impact will occur in FY 24 versus FY 25 due to the uncertainty of the date this bill will go into effect.

FY 24: Unknown decrease in income tax collections expected to be between \$0 and \$111 million.

FY 25: Unknown decrease in income tax collections expected to be between \$519.3 million and \$630.3 million.

² Individual taxpayers may either itemize their deductions or claim an Oklahoma standard deduction to compute Oklahoma taxable income. The Oklahoma standard deduction is \$12,700 for filers that file using married filing joint or surviving spouse status; \$9,350 for head of household filers; and \$6,350 for filers that file single or married filing separate. If using itemized deductions for federal income tax purposes, the Oklahoma itemized deduction amount is limited as follows: Beginning with tax year 2016, state and local income taxes included in itemized deductions are added back to calculate Oklahoma taxable income (by subtracting them from itemized deductions). Beginning with tax year 2018 itemized deductions may not exceed \$17,000, not including charitable contributions or medical expenses.

Prepared By: John McPhetridge, House Fiscal Director

Other Considerations

None.

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