

OKLAHOMA TAX COMMISSION

REVENUE IMPACT STATEMENT AND/OR ADMINISTRATIVE IMPACT STATEMENT SECOND REGULAR SESSION, FIFTY-NINTH OKLAHOMA LEGISLATURE

DATE OF IMPACT STATEMENT: January 19, 2024

BILL NUMBER: SB 1454

STATUS AND DATE OF BILL: Introduced 12/18/23

AUTHORS: House: NA Senate: Bullard

TAX TYPE(S): Income Tax **SUBJECT:** Exemption

PROPOSAL: New Law & Amendatory

SB 1454 proposes to create an income tax exemption for corporations organized and located in Oklahoma with 50 or fewer persons employed at any time during the tax year. In addition, the proposal exempts income distributed to individuals from a corporation, general partnership, limited partnership, limited liability partnership, limited liability company or electing pass-through entity that is organized and located in Oklahoma with 50 or fewer persons employed at any time during the tax year. The proposal is effective for tax year 2025 and subsequent tax years.

EFFECTIVE DATE: November 1, 2024

REVENUE IMPACT:

For tax year 2022, Oklahoma Tax Commission records indicate that taxable income reported by corporations and partnerships who had a withholding account and 50 or fewer employees totaled approximately \$1.4 billion. The corresponding amount of income distributed to individuals is unknown. Analysis for this impact assumes similar activity for tax year 2025.

FY 25: Estimated decrease of \$19.2 million in corporate income tax revenue, and unknown decrease in individual income tax revenue.

FY 26: Estimated decrease of \$48 million in corporate income tax revenue, and unknown decrease in individual income tax revenue.

1/24/24

DATE

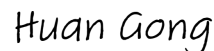


MARIE SCHUBLE, DIVISION DIRECTOR

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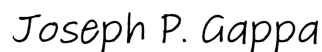
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HUAN GONG, ECONOMIST

1/29/2024

DATE



JOSEPH P. GAPPA, FOR THE COMMISSION

The revenue impact provided herein is an estimate of the potential impact on the collection or apportionment of tax revenues affected by the proposed legislation. It is not intended to be an estimate of the overall fiscal impact on the state budget if the proposed legislation is enacted.

ATTACHMENT TO REVENUE IMPACT – SB 1454 Prepared: 1/19/24

CURRENT LAW:

The calculation for pass-through entity tax is prescribed under 68 O.S. § 2355.1P-4.

Various adjustments to arrive at Oklahoma taxable income and Oklahoma adjusted gross income are authorized in 68 O.S. § 2358.

PROPOSED AMENDMENTS:

SB 1454 proposes to create an income tax exemption for corporations organized and located in Oklahoma¹ with 50 or fewer persons employed at any time during the tax year.² In addition, the proposal amends 68 O.S. § 2358 to exempt the distributed share of income received by an individual as a shareholder, owner or partner of a corporation, general partnership, limited partnership, limited liability partnership or limited liability company that is organized and located in Oklahoma with 50 or fewer persons employed at any time during the tax year.

SB 1454 further proposes to amend 68 O.S. § 2355.1P-4 to eliminate income tax assessed on a member's distributive share of income from an electing pass-through entity (PTE) organized and located in Oklahoma with 50 or fewer persons employed at any time during the tax year.

The proposal is effective for tax year 2025 and subsequent tax years.

ANTICIPATED IMPACT:

For tax year 2022, Oklahoma Tax Commission records indicate that taxable income reported by corporations and partnerships who had a withholding account and 50 or fewer employees totaled approximately \$1.4 billion. The corresponding amount of income distributed to individuals is unknown. Assuming similar activity for tax year 2025, the expected impact of the proposal is an estimated decrease in excess of \$48 million in corporate income tax revenue and an unknown decrease in individual income tax revenue for FY 2026. In addition, estimated payments for corporate income tax are expected to decrease by more than \$19.2 million for FY 2025.

¹ The requirement for a business entity to be organized pursuant to the laws of this state and located in this state should clarify whether an entity must be incorporated or only registered in Oklahoma.

² As drafted, an entity with no employees or an entity with fewer than 50 employees for only part of a year (e.g., one day) may qualify for the full exemption.