

OKLAHOMA TAX COMMISSION

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

DATE OF IMPACT STATEMENT: January 17, 2023

BILL NUMBER: SB 389

STATUS AND DATE OF BILL: Introduced 1/15/23

AUTHORS: House: n/a Senate: Garvin

TAX TYPE (S): Income Tax

SUBJECT: Deduction

PROPOSAL: Amendatory

SB 389 proposes to amend 68 O.S. § 2358 to allow a deduction from Oklahoma taxable income equal to the amount of any deduction for business expense incurred in conducting applicable licensed medical marijuana business activity in Oklahoma that was disallowed for the same tax year pursuant to Section 280E of the Internal Revenue Code of 1986, as amended, for tax year 2024 and subsequent tax years.

EFFECTIVE DATE: November 1, 2023

REVENUE IMPACT:

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

FY 24: Unknown decrease in income tax revenue.

FY 25: Unknown decrease in income tax revenue.

Jan. 20, 2023
DATE

Rick Miller
DIVISION DIRECTOR

bf

1/25/2023
DATE

Huan Gong
HUAN GONG, ECONOMIST

1/31/2023
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 389 [Introduced] Prepared 1/17/23

SB 389 proposes to amend 68 O.S. § 2358 to allow a deduction from Oklahoma taxable income equal to the amount of any deduction for business expense incurred in conducting applicable licensed medical marijuana business activity in Oklahoma that was disallowed for the same tax year pursuant to Section 280E of the Internal Revenue Code of 1986,¹ as amended, for tax year 2024 and subsequent tax years. Deductions allowed are equivalent to deductions allowed for common business expenses to arrive at federal taxable income for a business not engaged in licensed medical marijuana business activity.

The Oklahoma Tax Commission may promulgate rules and may utilize Internal Revenue Service (IRS) Forms to verify deductions, including IRS Form 2106.²

The revenue impact of this proposal is an unknown decrease in estimated tax payments for FY 24, and an unknown decrease in income tax revenue for FY 25 when the 2024 returns are filed.

¹ Under current federal law, marijuana (cannabis) is classified as a Schedule I controlled substance, and no deduction or credit is allowed for any amount paid or incurred during the taxable year in carrying on any trade or business if such trade or business (or the activities which comprise such trade or business) consists of trafficking in controlled substances (within the meaning of schedule I and II of the Controlled Substances Act) which is prohibited by Federal law or the law of any State in which such trade or business is conducted.

² Employee Business Expenses (for use only by Armed Forces reservists, qualified performing artists, fee-basis state or local government officials, and employees with impairment-related work expenses)