

1 STATE OF OKLAHOMA

2 1st Session of the 60th Legislature (2025)

3 SENATE BILL 295

By: Burns

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5
6 AS INTRODUCED

7 An Act relating to tax; amending 68 O.S. 2021,
8 Section 2355, as last amended by Section 1, Chapter
9 27, 1st Extraordinary Session, O.S.L. 2023 (68 O.S.
10 Supp. 2024, Section 2355), which relates to income
11 tax; modifying certain income tax rates for certain
12 tax years; modifying certain withholding requirement
13 for certain tax years; amending 68 O.S. 2021, Section
14 2370, which relates to the banking privilege tax;
15 limiting tax to certain tax years; updating statutory
16 references; updating statutory language; and
17 providing an effective date.

18 BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

19 SECTION 1. AMENDATORY 68 O.S. 2021, Section 2355, as
20 last amended by Section 1, Chapter 27, 1st Extraordinary Session,
21 O.S.L. 2023 (68 O.S. Supp. 2024, Section 2355), is amended to read
22 as follows:

23 Section 2355. A. Individuals. For all taxable years beginning
24 after December 31, 1998, and before January 1, 2006, a tax is hereby
imposed upon the Oklahoma taxable income of every resident or
nonresident individual, which tax shall be computed at the option of
the taxpayer under one of the two following methods:

1 1. METHOD 1.

2 a. Single individuals and married individuals filing
3 separately not deducting federal income tax:

4 (1) 1/2% tax on first \$1,000.00 or part thereof,

5 (2) 1% tax on next \$1,500.00 or part thereof,

6 (3) 2% tax on next \$1,250.00 or part thereof,

7 (4) 3% tax on next \$1,150.00 or part thereof,

8 (5) 4% tax on next \$1,300.00 or part thereof,

9 (6) 5% tax on next \$1,500.00 or part thereof,

10 (7) 6% tax on next \$2,300.00 or part thereof, and

11 (8) (a) for taxable years beginning after December

12 31, 1998, and before January 1, 2002, 6.75%

13 tax on the remainder,

14 (b) for taxable years beginning on or after

15 January 1, 2002, and before January 1, 2004,

16 7% tax on the remainder, and

17 (c) for taxable years beginning on or after

18 January 1, 2004, 6.65% tax on the remainder.

19 b. Married individuals filing jointly and surviving
20 spouse to the extent and in the manner that a
21 surviving spouse is permitted to file a joint return
22 under the provisions of the Internal Revenue Code of
23 1986, as amended, and heads of households as defined
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1 in the Internal Revenue Code of 1986, as amended, not
2 deducting federal income tax:

3 (1) 1/2% tax on first \$2,000.00 or part thereof,

4 (2) 1% tax on next \$3,000.00 or part thereof,

5 (3) 2% tax on next \$2,500.00 or part thereof,

6 (4) 3% tax on next \$2,300.00 or part thereof,

7 (5) 4% tax on next \$2,400.00 or part thereof,

8 (6) 5% tax on next \$2,800.00 or part thereof,

9 (7) 6% tax on next \$6,000.00 or part thereof, and

10 (8) (a) for taxable years beginning after December

11 31, 1998, and before January 1, 2002, 6.75%

12 tax on the remainder,

13 (b) for taxable years beginning on or after

14 January 1, 2002, and before January 1, 2004,

15 7% tax on the remainder, and

16 (c) for taxable years beginning on or after

17 January 1, 2004, 6.65% tax on the remainder.

18 2. METHOD 2.

19 a. Single individuals and married individuals filing
20 separately deducting federal income tax:

21 (1) 1/2% tax on first \$1,000.00 or part thereof,

22 (2) 1% tax on next \$1,500.00 or part thereof,

23 (3) 2% tax on next \$1,250.00 or part thereof,

24 (4) 3% tax on next \$1,150.00 or part thereof,

- 1 (5) 4% tax on next \$1,200.00 or part thereof,
- 2 (6) 5% tax on next \$1,400.00 or part thereof,
- 3 (7) 6% tax on next \$1,500.00 or part thereof,
- 4 (8) 7% tax on next \$1,500.00 or part thereof,
- 5 (9) 8% tax on next \$2,000.00 or part thereof,
- 6 (10) 9% tax on next \$3,500.00 or part thereof, and
- 7 (11) 10% tax on the remainder.

8 b. Married individuals filing jointly and surviving
9 spouse to the extent and in the manner that a
10 surviving spouse is permitted to file a joint return
11 under the provisions of the Internal Revenue Code of
12 1986, as amended, and heads of households as defined
13 in the Internal Revenue Code of 1986, as amended,
14 deducting federal income tax:

- 15 (1) 1/2% tax on the first \$2,000.00 or part thereof,
- 16 (2) 1% tax on the next \$3,000.00 or part thereof,
- 17 (3) 2% tax on the next \$2,500.00 or part thereof,
- 18 (4) 3% tax on the next \$1,400.00 or part thereof,
- 19 (5) 4% tax on the next \$1,500.00 or part thereof,
- 20 (6) 5% tax on the next \$1,600.00 or part thereof,
- 21 (7) 6% tax on the next \$1,250.00 or part thereof,
- 22 (8) 7% tax on the next \$1,750.00 or part thereof,
- 23 (9) 8% tax on the next \$3,000.00 or part thereof,
- 24 (10) 9% tax on the next \$6,000.00 or part thereof, and

1 (11) 10% tax on the remainder.

2 B. Individuals. For all taxable years beginning on or after
3 January 1, 2008, and ending any tax year which begins after December
4 31, 2015, for which the determination required pursuant to Sections
5 ~~4~~ 2355.1F and ~~5~~ 2355.1G of this ~~act~~ title is made by the State Board
6 of Equalization, a tax is hereby imposed upon the Oklahoma taxable
7 income of every resident or nonresident individual, which tax shall
8 be computed as follows:

9 1. Single individuals and married individuals filing
10 separately:

11 (a) 1/2% tax on first \$1,000.00 or part thereof,

12 (b) 1% tax on next \$1,500.00 or part thereof,

13 (c) 2% tax on next \$1,250.00 or part thereof,

14 (d) 3% tax on next \$1,150.00 or part thereof,

15 (e) 4% tax on next \$2,300.00 or part thereof,

16 (f) 5% tax on next \$1,500.00 or part thereof,

17 (g) 5.50% tax on the remainder for the 2008 tax year and
18 any subsequent tax year unless the rate prescribed by
19 subparagraph (h) of this paragraph is in effect, and

20 (h) 5.25% tax on the remainder for the 2009 and subsequent
21 tax years. The decrease in the top marginal
22 individual income tax rate otherwise authorized by
23 this subparagraph shall be contingent upon the
24 determination required to be made by the State Board

1 of Equalization pursuant to Section 2355.1A of this
2 title.

3 2. Married individuals filing jointly and surviving spouse to
4 the extent and in the manner that a surviving spouse is permitted to
5 file a joint return under the provisions of the Internal Revenue
6 Code of 1986, as amended, and heads of households as defined in the
7 Internal Revenue Code of 1986, as amended:

8 (a) 1/2% tax on first \$2,000.00 or part thereof,

9 (b) 1% tax on next \$3,000.00 or part thereof,

10 (c) 2% tax on next \$2,500.00 or part thereof,

11 (d) 3% tax on next \$2,300.00 or part thereof,

12 (e) 4% tax on next \$2,400.00 or part thereof,

13 (f) 5% tax on next \$2,800.00 or part thereof,

14 (g) 5.50% tax on the remainder for the 2008 tax year and

15 any subsequent tax year unless the rate prescribed by
16 subparagraph (h) of this paragraph is in effect, and

17 (h) 5.25% tax on the remainder for the 2009 and subsequent

18 tax years. The decrease in the top marginal

19 individual income tax rate otherwise authorized by

20 this subparagraph shall be contingent upon the

21 determination required to be made by the State Board

22 of Equalization pursuant to Section 2355.1A of this

23 title.
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1 C. Individuals. For ~~all taxable years beginning on or after~~
2 ~~January 1, 2024~~ tax year 2024, a tax is hereby imposed upon the
3 Oklahoma taxable income of every resident or nonresident individual,
4 which tax shall be computed as follows:

5 1. Single individuals and married individuals filing
6 separately:

- 7 (a) 0.25% tax on first \$1,000.00 or part thereof,
8 (b) 0.75% tax on next \$1,500.00 or part thereof,
9 (c) 1.75% tax on next \$1,250.00 or part thereof,
10 (d) 2.75% tax on next \$1,150.00 or part thereof,
11 (e) 3.75% tax on next \$2,300.00 or part thereof, and
12 (f) 4.75% tax on the remainder.

13 2. Married individuals filing jointly and surviving spouse to
14 the extent and in the manner that a surviving spouse is permitted to
15 file a joint return under the provisions of the Internal Revenue
16 Code of 1986, as amended, and heads of households as defined in the
17 Internal Revenue Code of 1986, as amended:

- 18 (a) 0.25% tax on first \$2,000.00 or part thereof,
19 (b) 0.75% tax on next \$3,000.00 or part thereof,
20 (c) 1.75% tax on next \$2,500.00 or part thereof,
21 (d) 2.75% tax on next \$2,300.00 or part thereof,
22 (e) 3.75% tax on next \$4,600.00 or part thereof, and
23 (f) 4.75% tax on the remainder.

1 No deduction for federal income taxes paid shall be allowed to
2 any taxpayer to arrive at taxable income.

3 D. For tax year 2025 and subsequent tax years, there shall be
4 no tax imposed upon the Oklahoma taxable income of any resident or
5 nonresident individual.

6 E. Nonresident aliens. In lieu of the rates set forth in
7 subsection A above, there shall be imposed on nonresident aliens, as
8 defined in the Internal Revenue Code of 1986, as amended, a tax of
9 eight percent (8%) instead of thirty percent (30%) as used in the
10 Internal Revenue Code of 1986, as amended, with respect to the
11 Oklahoma taxable income of such nonresident aliens as determined
12 under the provision of the Oklahoma Income Tax Act.

13 Every payer of amounts covered by this subsection shall deduct
14 and withhold from such amounts paid each payee an amount equal to
15 eight percent (8%) thereof. Every payer required to deduct and
16 withhold taxes under this subsection shall for each quarterly period
17 on or before the last day of the month following the close of each
18 such quarterly period, pay over the amount so withheld as taxes to
19 the Oklahoma Tax Commission, and shall file a return with each such
20 payment. Such return shall be in such form as the Tax Commission
21 shall prescribe. Every payer required under this subsection to
22 deduct and withhold a tax from a payee shall, as to the total
23 amounts paid to each payee during the calendar year, furnish to such
24 payee, on or before January 31⁷ of the succeeding year, a written

1 statement showing the name of the payer, the name of the payee and
2 the payee's Social Security account number, if any, the total amount
3 paid subject to taxation, and the total amount deducted and withheld
4 as tax and such other information as the Tax Commission may require.
5 Any payer who fails to withhold or pay to the Tax Commission any
6 sums herein required to be withheld or paid shall be personally and
7 individually liable therefor to the State of Oklahoma.

8 ~~E. F.~~ Corporations. For ~~all taxable years beginning after~~
9 ~~December 31, 2021~~ tax years 2022 through 2024, a tax is hereby
10 imposed upon the Oklahoma taxable income of every corporation doing
11 business within this state or deriving income from sources within
12 this state in an amount equal to four percent (4%) thereof. For tax
13 year 2025 and subsequent tax years, there shall be no income tax
14 imposed upon the Oklahoma taxable income of any corporation doing
15 business within this state or deriving income from sources within
16 this state.

17 There shall be no additional Oklahoma income tax imposed on
18 accumulated taxable income or on undistributed personal holding
19 company income as those terms are defined in the Internal Revenue
20 Code of 1986, as amended.

21 ~~F. G.~~ Certain foreign corporations. In lieu of the tax imposed
22 in the first paragraph of subsection ~~D~~ F of this section, ~~for all~~
23 ~~taxable years beginning after December 31, 2021~~ tax years 2022
24 through 2024, there shall be imposed on foreign corporations, as

1 defined in the Internal Revenue Code of 1986, as amended, a tax of
2 four percent (4%) instead of thirty percent (30%) as used in the
3 Internal Revenue Code of 1986, as amended, where such income is
4 received from sources within ~~Oklahoma~~ this state, in accordance with
5 the provisions of the Internal Revenue Code of 1986, as amended, and
6 the Oklahoma Income Tax Act. For tax year 2025 and subsequent tax
7 years, there shall be no tax imposed on foreign corporations, as
8 defined in the Internal Revenue Code of 1986, as amended, where such
9 income is received from sources within this state, in accordance
10 with the provisions of the Internal Revenue Code of 1986, as
11 amended, and the Oklahoma Income Tax Act.

12 ~~Every~~ For tax years 2022 through 2024, every payer of amounts
13 covered by this subsection shall deduct and withhold from such
14 amounts paid each payee an amount equal to four percent (4%)
15 thereof. Every payer required to deduct and withhold taxes under
16 this subsection shall for each quarterly period on or before the
17 last day of the month following the close of each such quarterly
18 period, pay over the amount so withheld as taxes to the Tax
19 Commission, and shall file a return with each such payment. Such
20 return shall be in such form as the Tax Commission shall prescribe.
21 Every payer required under this subsection to deduct and withhold a
22 tax from a payee shall, as to the total amounts paid to each payee
23 during the calendar year, furnish to such payee, on or before
24 January 31~~7~~ of the succeeding year, a written statement showing the

1 name of the payer, the name of the payee and the payee's Social
2 Security account number, if any, the total amounts paid subject to
3 taxation, the total amount deducted and withheld as tax, and such
4 other information as the Tax Commission may require. Any payer who
5 fails to withhold or pay to the Tax Commission any sums herein
6 required to be withheld or paid shall be personally and individually
7 liable therefor to the State of Oklahoma.

8 ~~G.~~ H. Fiduciaries. A tax is hereby imposed upon the Oklahoma
9 taxable income of every trust and estate at the same rates as are
10 provided in ~~subsection B or C~~ subsections B through D of this
11 section for single individuals. Fiduciaries are not allowed a
12 deduction for any federal income tax paid.

13 ~~H.~~ I. Tax rate tables. For all taxable years beginning after
14 December 31, 1991, in lieu of the tax imposed by ~~subsection A, B or~~
15 ~~C~~ subsections A through D of this section, as applicable there is
16 hereby imposed for each taxable year on the taxable income of every
17 individual, whose taxable income for such taxable year does not
18 exceed the ceiling amount, a tax determined under tables, applicable
19 to such taxable year which shall be prescribed by the Tax Commission
20 and which shall be in such form as it determines appropriate. In
21 the table so prescribed, the amounts of the tax shall be computed on
22 the basis of the rates prescribed by ~~subsection A, B or C~~
23 subsections A through D of this section. For purposes of this
24 subsection, the term "ceiling amount" means, with respect to any

1 taxpayer, the amount determined by the Tax Commission for the tax
2 rate category in which such taxpayer falls.

3 SECTION 2. AMENDATORY 68 O.S. 2021, Section 2370, is
4 amended to read as follows:

5 Section 2370. A. For ~~taxable years beginning after December~~
6 ~~31, 2021~~ tax years 2022 through 2024, for the privilege of doing
7 business within this state, every state banking association,
8 national banking association and credit union organized under the
9 laws of this state, located or doing business within the limits of
10 ~~the State of Oklahoma~~ this state shall annually pay to this state a
11 privilege tax at the rate of four percent (4%) of the amount of the
12 taxable income as provided in this section.

13 B. 1. The privilege tax levied by this section shall be in
14 addition to the Business Activity Tax levied in Section 1218 of this
15 title and the franchise tax levied in Article 12 of this title and
16 in lieu of the tax levied by Section 2355 of this title and in lieu
17 of all taxes levied by ~~the State of Oklahoma~~ this state, or any
18 subdivision thereof, upon the shares of stock or personal property
19 of any banking association or credit union subject to taxation under
20 this section.

21 2. Nothing in this section shall be construed to exempt the
22 real property of any banking associations or credit unions from
23 taxation to the same extent, according to its value, as other real
24 property is taxed. Nothing herein shall be construed to exempt an
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1 association from payment of any fee or tax authorized or levied
2 pursuant to the banking laws.

3 3. Personal property which is subject to a lease agreement
4 between a bank or credit union, as lessor, and a nonbanking business
5 entity or individual, as lessee, is not exempt from personal
6 property ad valorem taxation. Provided further, that it shall be
7 the duty of the lessee of such personal property to return sworn
8 lists or schedules of their taxable property within each county to
9 the county assessor of such county as provided in Sections 2433 and
10 2434 of this title.

11 C. Any tax levied under this section shall accrue on the last
12 day of the taxable year and be payable as provided in Section 2375
13 of this title. The accrual of such tax for the first taxable year
14 to which ~~this act~~ the Oklahoma Income Tax Act applies, shall apply
15 notwithstanding the prior accrual of a tax in the same taxable year
16 based upon the net income of the next preceding taxable year;
17 provided, however, any additional deduction enuring to the benefit
18 of the taxpayer shall be deducted in accordance with the optional
19 transitional deduction procedures in Section 2354 of this title.

20 D. The basis of the tax shall be United States taxable income
21 as defined in paragraph 10 of Section 2353 of this title and any
22 adjustments thereto under the provisions of Section 2358 of this
23 title with the following adjustments:
24

1 1. There shall be deducted all interest income on obligations
2 of the United States government and agencies thereof not otherwise
3 exempted and all interest income on obligations of ~~the State of~~
4 ~~Oklahoma~~ this state or political subdivisions thereof, including
5 public trust authorities, not otherwise exempted under the laws of
6 this state; and

7 2. Expense deductions claimed in arriving at taxable income
8 under paragraph 10 of Section 2353 of this title shall be reduced by
9 an amount equal to fifty percent (50%) of excluded interest income
10 on obligations of the United States government or agencies thereof
11 and obligations of ~~the State of Oklahoma~~ this state or political
12 subdivisions thereof.

13 E. 1. Except as otherwise provided in paragraph 2 of this
14 subsection, before January 1, 2017, there shall be allowed a credit
15 against the tax levied in subsection A of this section in an amount
16 equal to the amount of taxable income received by a participating
17 financial institution as defined in Section 90.2 of Title 62 of the
18 Oklahoma Statutes pursuant to a loan made under the Rural Economic
19 Development Loan Act. Such credit shall be limited each year to
20 five percent (5%) of the amount of annual payroll certified by the
21 Oklahoma Rural Economic Development Loan Program Review Board
22 pursuant to the provisions of paragraph 3 of subsection B of Section
23 90.4 of Title 62 of the Oklahoma Statutes with respect to the loan
24 made by the participating financial institution and may be claimed

1 for any number of years necessary until the amount of total credits
2 claimed is equal to the total amount of taxable income received by
3 the participating financial institution pursuant to the loan. Any
4 credit allowed but not used in a taxable year may be carried forward
5 for a period not to exceed five (5) taxable years. In no event
6 shall a credit allowed pursuant to the provisions of this subsection
7 be transferable or refundable.

8 2. No credit otherwise authorized by the provisions of this
9 subsection may be claimed for any event, transaction, investment,
10 expenditure or other act occurring on or after July 1, 2010, for
11 which the credit would otherwise be allowable. The provisions of
12 this paragraph shall cease to be operative on July 1, 2012.
13 Beginning July 1, 2012, the credit authorized by this subsection may
14 be claimed for any event, transaction, investment, expenditure or
15 other act occurring on or after July 1, 2012, according to the
16 provisions of this subsection.

17 SECTION 3. This act shall become effective November 1, 2025.

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