

**BILL SUMMARY**  
1<sup>st</sup> Session of the 60<sup>th</sup> Legislature

<b>Bill No.:</b>	<b>HB1539</b>
<b>Version:</b>	<b>FA1</b>
<b>Request Number:</b>	<b>13310</b>
<b>Author:</b>	<b>Rep. Lepak</b>
<b>Date:</b>	<b>3/24/2025</b>
<b>Impact:</b>	<b>See Analysis Below</b>

**Research Analysis**

The floor substitute for HB1539 establishes revenue triggers to phase out the personal income tax by .10 percent increments each year that revenue conditions are met and certified by the State Board of Equalization (BOE). The rate reduction is authorized every year that the qualifying cumulative revenue growth is equal to or greater than \$425 million. The BOE is responsible for certifying the cumulative revenue growth and making the yearly determining about the possibility of a rate reduction at its annual December meeting. When a trigger is met, the rate reduction will apply to the next tax year following the December meeting.

**CHANGES IN FLOOR SUBSTITUTE VERSION FROM COMMITTEE SUBSTITUTE:**

The floor substitute changes the proposed qualifying cumulative revenue growth amount from \$300 million to \$425 million and the reduction increment from .25 percent to .10 percent.

Prepared By: Quyen Do

**Fiscal Analysis**

This measure creates a trigger for a 0.25% income tax reduction based on an increase in all revenue growth of at least \$300,000,000.00, as certified by the Board of Equalization. The first tax year where this trigger would be in place is 2026, which would be part of Fiscal Year 2026 and Fiscal Year 2027.

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The floor substitute increases the trigger from \$300,000,000.00 to \$450,000,000.00, and increases the income tax reduction from 0.25% to 1%.

The Oklahoma Tax Commission has provided the following analysis:

**ESTIMATED REVENUE IMPACT:**

**FY26: Unknown potential decrease in income tax collections.**

**FY27: Unknown potential decrease in income tax collections.**

**ANALYSIS:** The Floor Amendment to HB 1539 proposes to amend 68 O.S. § 2355 by enacting an income tax rate reduction trigger based on total revenue collections. This trigger could reduce individual income tax by 1.0% across all brackets. The initial tax year that a rate reduction could be triggered is tax year 2026.

Under this proposal, in the December 2025 meeting of the State Board of Equalization (BOE) the BOE would compare FY25 total revenue collections to FY23 total collections.<sup>1</sup> If the BOE determines the FY25 amount exceeds the FY23 amount by \$425 million, the 1.0% rate reduction across all brackets is triggered for tax year 2026, resulting in a \$421.4 million decrease in revenue in FY26, and a \$1.073 billion decrease in FY27.<sup>2</sup> This process is repeated every December by comparing the most recent completed FY total revenue collections to the total collections for the 2<sup>nd</sup> prior FY.

HB 1539 (FAI) - Individual Income Tax - 1.0% Rate Reduction All Brackets				
FY CONVERSION		FY26	FY27	FY28
Tax year 2026	-\$1,053,447,000	-\$421,379,000	-\$632,068,000	
Tax year 2027	-\$1,103,106,000		-\$441,242,000	-\$661,864,000
Tax year 2028	-\$1,160,100,000			-\$464,040,000
Total		-\$421,379,000	-\$1,073,310,000	-\$1,125,904,000

Source: Oklahoma Individual Income Tax Micro-Simulation Model.

**ADMINISTRATIVE CONCERNS:** The Oklahoma Tax Commission annually publishes income tax withholding tables in early December to ensure employers can withhold the appropriate amount of Oklahoma income tax for the upcoming tax year. The two previous December BOE meetings occurred December 22, 2023, and December 20, 2024, respectively. This is a short time frame for employers to update income tax withholding for the potential new rate structure.

The charts below show tax year 2026 current income tax brackets, and the income tax brackets with a 1.0% reduction in all brackets.

CURRENT LAW				
Single & Married Separate Filers				
Taxable income	Pay	plus	over	
\$0	\$1,000	\$0.00	0.25%	\$0
\$1,001	\$2,500	\$2.50	0.75%	\$1,000
\$2,501	\$3,750	\$13.75	1.75%	\$2,500
\$3,751	\$4,900	\$35.63	2.75%	\$3,750
\$4,901	\$7,200	\$67.25	3.75%	\$4,900
\$7,201	and above	\$153.50	4.75%	\$7,200

CURRENT LAW				
Married Joint, Head of Household & Surviving Spouse Filers				
Taxable income	Pay	plus	over	
\$0	\$2,000	\$0.00	0.25%	\$0
\$2,001	\$5,000	\$5.00	0.75%	\$2,000
\$5,001	\$7,500	\$27.50	1.75%	\$5,000
\$7,501	\$9,800	\$71.25	2.75%	\$7,500
\$9,801	\$14,400	\$134.50	3.75%	\$9,800
\$14,401	and above	\$307.00	4.75%	\$14,400

POTENTIAL BRACKETS 1.0% REDUCTION ALL BRACKETS				
Single & Married Separate Filers				
Taxable income	Pay	plus	over	
\$0	\$1,000	\$0.00	0.00%	\$0
\$1,001	\$2,500	\$0.00	0.00%	\$1,000
\$2,501	\$3,750	\$0.00	0.75%	\$2,500
\$3,751	\$4,900	\$9.38	1.75%	\$3,750
\$4,901	\$7,200	\$29.50	2.75%	\$4,900
\$7,201	and above	\$92.75	3.75%	\$7,200

POTENTIAL BRACKETS 1.0% REDUCTION ALL BRACKETS				
Married Joint, Head of Household & Surviving Spouse Filers				
Taxable income	Pay	plus	over	
\$0	\$2,000	\$0.00	0.00%	\$0
\$2,001	\$5,000	\$0.00	0.00%	\$2,000
\$5,001	\$7,500	\$0.00	0.75%	\$5,000
\$7,501	\$9,800	\$18.75	1.75%	\$7,500
\$9,801	\$14,400	\$59.00	2.75%	\$9,800
\$14,401	and above	\$185.50	3.75%	\$14,400

Prepared By: Zach Penrod, House Fiscal Staff

**Other Considerations**

None.

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