

BILL SUMMARY
1st Session of the 60th Legislature

Bill No.:	HB2740
Version:	SUBREC
Request Number:	12843
Author:	Rep. Kendrix
Date:	3/4/2025
Impact:	FY26: \$39.637 million decrease in revenue
	FY27: \$99.668 million decrease in revenue

Research Analysis

The subcommittee recommendation for HB2740 eliminates the brackets for the personal income tax and establishes a flat 4.75 percent tax rate beginning tax year 2026. The measure also eliminates personal exemptions and increases the standard deduction to \$13,550 for single filers, \$27,100 for joint filers and \$20,325 for heads of households.

Prepared By: Quyen Do

Fiscal Analysis

In its current form, HB2740 proposes to replace the graduated income tax rate structure with a single rate of 4.75%. The measure also increases the standard deduction used to compute Oklahoma taxable income and eliminates personal exemptions.

The subcommittee recommendation does not modify the bill.

The Oklahoma Tax Commission has provided the following analysis:

ESTIMATED REVENUE IMPACT:

FY26: \$39.637 million decrease in income tax collections.

FY27: \$99.668 million decrease in income tax collections.

ANALYSIS: The PSCS to HB 2740 (Req. No. 12338) proposes to amend 68 O.S. § 2355 by replacing the graduated income tax rate structure with a single rate of 4.75% of Oklahoma taxable income. Additionally, this measure amends 68 O.S. § 2358, by increasing the amount of standard deduction that is allowed to compute Oklahoma taxable income and eliminating personal exemptions including the personal exemption for blind and over 65.

Charts on the following page show the current income tax brackets and current standard deduction amounts by income tax filing status, as well as the proposed standard deductions. All the proposals are effective for tax year 2026 and subsequent tax years. The effects of this proposal were estimated using the Oklahoma Individual Income Tax Microsimulation Model. The chart below shows the estimated impact by tax and fiscal year.

FY EFFECT INCOME TAX 4.75% Flat Rate				
Increase Standard Deduction & Eliminate Personal Exemptions				
FY CONVERSION		FY26	FY27	FY28
Tax year 2026	-\$99,093,000	-\$39,637,000	-\$59,456,000	
Tax year 2027	-\$100,529,000		-\$40,212,000	-\$60,317,000
Tax year 2028	-\$101,826,000			-\$40,730,000
	Total	-\$39,637,000	-\$99,668,000	-\$101,047,000

Source: Oklahoma Individual Income Tax Micro-Simulation Model.

The table below reflects the current and proposed standard deductions.

Filing Status	Standard Deduction Amount	
	Current	Proposed
Married Filing Joint & Surviving Spouse	\$12,700	\$27,100
Single & Married Filing Separate	\$6,350	\$13,550
Head of Household	\$9,350	\$20,325

The tables below reflect the current individual income tax brackets for tax year 2026 and subsequent tax years.

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

Prepared By: Zach Penrod, House Fiscal Staff

Other Considerations

None.

