



BILL/VERSION: HB 1539 / Engrossed¹ **ANALYST:** MK
AUTHORS: Rep. Lepak & Sen. Bergstrom **DATE:** 3/27/2025
TAX(ES): Income Tax
SUBJECT(S): Individual Income Rate Reduction Trigger
EFFECTIVE DATE: November 1, 2025 **Emergency**

ESTIMATED REVENUE IMPACT:

FY26: Unknown potential decrease in income tax collections.
FY27: Unknown potential decrease in income tax collections.

ANALYSIS: 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 0.25% 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.ⁱ If the BOE determines the FY25 amount exceeds the FY23 amount by \$300 million, the 0.25% rate reduction across all brackets is triggered for tax year 2026, resulting in a \$108.2 million decrease in revenue in FY26, and a \$275.5 decrease in FY27.ⁱⁱ This process is repeated every December by comparing the most recent completed FY total revenue collections to the total collections for the 2nd prior FY.

HB 1539- Individual Income Tax - 0.25% Rate Reduction All Brackets				
FY CONVERSION		FY26	FY27	FY28
Tax year 2026	-\$270,501,000	-\$108,200,000	-\$162,301,000	
Tax year 2027	-\$282,997,000		-\$113,199,000	-\$169,798,000
Tax year 2028	-\$297,320,000			-\$118,928,000
	Total	-\$108,200,000	-\$275,500,000	-\$288,726,000
Source: Oklahoma Individual Income Tax Micro-Simulation Model.				

¹ No substantive changes from Introduced HB 1539.

3/28/25

DATE

Huan Gong

DR. HUAN GONG, CHIEF TAX ECONOMIST

3/28/25

DATE

Marie Schuble

MARIE SCHUBLE, DIVISION DIRECTOR

3/28/25

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Joseph P. Gappa

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.



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 0.25% 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 0.25% 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	0.50%	\$1,000
\$2,501	\$3,750	\$7.50	1.50%	\$2,500
\$3,751	\$4,900	\$26.25	2.50%	\$3,750
\$4,901	\$7,200	\$55.00	3.50%	\$4,900
\$7,201	and above	\$135.50	4.50%	\$7,200

POTENTIAL BRACKETS 0.25% 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	0.50%	\$2,000
\$5,001	\$7,500	\$15.00	1.50%	\$5,000
\$7,501	\$9,800	\$52.50	2.50%	\$7,500
\$9,801	\$14,400	\$110.00	3.50%	\$9,800
\$14,401	and above	\$271.00	4.50%	\$14,400

ⁱ Total collections and total revenue collections are both used in this measure. Total revenue collections are defined as all revenue sources reported in the annual report of the Oklahoma Tax Commission excluding any tax collected by the Commission from levies imposed by counties, cities, towns, or any other entity of local government. For purposes of this analysis, it is assumed that total collections and total revenue collections mean the same thing. The Oklahoma Tax Commission annually publishes the *Revenue & Apportionment Report* which provides the total tax dollars collected and distributed by the Oklahoma Tax Commission as required by Oklahoma statutes.

ⁱⁱ For purposes of this analysis, no additional rate reduction is triggered for 2027 or 2028.