



BILL/VERSION:	SB 227 / INTRODUCED	ANALYST EC & MK
AUTHORS:	Sen. Daniels	DATE: 2/1/2025
TAX(ES):	Gross Production & Income Tax	
SUBJECT(S):	Multiple	
EFFECTIVE DATE:	July 1, 2025	Emergency <input checked="" type="checkbox"/>

ESTIMATED REVENUE IMPACT:

FY25 and FY26: Gross Production - unknown change in tax collections.
FY26: Estimated decrease in income tax collections of \$1.386 billion.
FY27: Estimated decrease in income tax collections of \$1.029 billion.

ANALYSIS:

1. **Gross Production Tax:** SB 227 proposes to amend 68 O.S. § 1001.3a to limit gross production tax exemptions for an “economically at-risk oil or gas lease” to production in 2024 and sets a deadline for filing claims to July 1, 2025. The change in tax collections due to this proposal is unknown.

2. **Income Tax.** SB 227 proposes the following changes to Oklahoma income tax:
 - Section 3 proposes to amend 68 O.S. § 2355 by reducing the individual income tax rate by 0.5% for all brackets effective for tax year 2025 and subsequent tax years. The current and proposed brackets are attached.

 - Section 4 proposes to amend 68 O.S. § 2357.4, eliminating the Oklahoma Investment / New Jobs Credit effective for tax year 2025 and subsequent tax years. Under current law eligible increases in employment or qualified depreciable property for manufacturers are eligible for a credit that is claimable over a 5-year period and unused credits may be carried over past the initial 5-year period.

 - Section 5 proposes to amend 68 O.S. § 2357.43, relating to the Oklahoma earned income tax credit, by making the credit nonrefundable effective for year 2025 and subsequent tax years. Under current law, the credit is refundable for tax years 2022 through 2024.

2/5/25
DATE

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Marie Schuble
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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.



- Section 6 proposes to amend 68 O.S. § 2358, relating to the Oklahoma source capital gain deduction, to limit the amount deducted to 50% (from 100%) of the qualifying Oklahoma capital gain. Additionally, Section 6 proposes to increase the Oklahoma standard deduction effective for 2025 and subsequent tax years. The table below reflects the current and proposed standard deduction amounts for tax year 2025¹ and later.

Filing Status	Standard Deduction Amount	
	Current	Proposed
Married Filing Joint& Surviving Spouse	\$12,700	\$30,000
Single & Married Filing Separate	\$6,350	\$15,000
Head of Household	\$9,350	\$22,500

- Section 7 proposes to amend 68 O.S. § 5011 by eliminating the Oklahoma Sales Tax Relief Credit effective for calendar year 2025 and subsequent years. Under current law, qualified taxpayers may file a claim for sales tax relief in the form of a refundable income tax credit in the amount of \$40.
- Sections 3 through 7. The effects of the individual income tax changes² were estimated using the Oklahoma Individual Income Tax Microsimulation Model:

SB 227 - Multiple Income Tax Changes			
FY CONVERSION		FY26	FY27
Tax year 2025	-\$980,439,000	-\$980,439,000	
Tax year 2026	-\$1,012,970,000	-\$405,188,000	-\$607,782,000
Tax year 2027	-\$1,052,892,000		-\$421,157,000
	FY TOTAL	-\$1,385,627,000	-\$1,028,939,000

Source: Oklahoma Individual Income Tax Micro-Simulation Model.

ADDITIONAL INFORMATION:

Gross Production.

Section 2: This proposed amendment states that for production in 2022-2024, qualifying leases must operate at a net loss and the gross value of the production must fall below a price threshold: \$50.00 for oil, and \$3.50 for gas. OTC records show zero months where the average reported oil price fell below \$50, but there were 21 of the 34 months where the average reported gas price fell below \$3.50. However, it is unknown how many leases may be eligible for the exemption due to operating at a net loss. In addition, the capped amount in 68 O.S. § 1001.3a resides at \$10,000,000 for 2022 and subsequent production years. This proposal sunsets this cap to production through calendar year 2024.

ADMINISTRATIVE CONCERNS: Tax year 2025 Income tax withholding tables would require a midyear adjustment to account for the income tax rate reduction. Additionally, it is unknown if the Investment / New Jobs Credits earned in prior years would be precluded from being claimed if this measure were enacted.

¹ Section 6 includes tax year 2025 in the current standard deduction amounts and in the proposed increased standard deduction amounts. The estimated revenue impact was modeled for the proposed higher standard deductions amounts only.

² The Oklahoma Individual Income Tax Micro-Simulation Model estimate excludes the proposed reduction of the Oklahoma Investment/New Jobs Credit, which impacts both individual and corporate tax filers. This credit generated a \$24.3 million individual income tax expenditure in tax year 2022, along with \$281 million in unused carryover credits. The proposal does not specify whether these carryover credits would remain claimable. If the carryover credits can still be claimed, the proposed reduction of this credit is unlikely to have an immediate impact on income tax collections. The Oklahoma source capital gain deduction is available for both corporate and individual income tax filers. Although aggregate data for corporate filers is not available, the proposed Oklahoma source capital gain deduction for corporate filers is expected to have minimal effect on revenue.



Current And Proposed Brackets for Tax Year 2025 and Subsequent Tax Years

Current Law				
Single & Married Separate Filers				
Taxable income	Pay	plus	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	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

Proposed Law - SB 227				
Single & Married Separate Filers				
Taxable income	Pay	plus	plus	over
\$0	\$1,000	\$0.00	0.00%	\$0
\$1,001	\$2,500	\$0.00	0.25%	\$1,000
\$2,501	\$3,750	\$3.75	1.25%	\$2,500
\$3,751	\$4,900	\$19.38	2.25%	\$3,750
\$4,901	\$7,200	\$45.25	3.25%	\$4,900
\$7,201	and above	\$120.00	4.25%	\$7,200

Proposed Law - SB 227				
Married Joint, Head of Household & Surviving Spouse Filers				
Taxable income	Pay	plus	plus	over
\$0	\$2,000	\$0.00	0.00%	\$0
\$2,001	\$5,000	\$0.00	0.25%	\$2,000
\$5,001	\$7,500	\$7.50	1.25%	\$5,000
\$7,501	\$9,800	\$38.75	2.25%	\$7,500
\$9,801	\$14,400	\$90.50	3.25%	\$9,800
\$14,401	and above	\$240.00	4.25%	\$14,400