



BILL/VERSION: SB 295 / INTRODUCED **ANALYST:** MK
AUTHORS: Sen. Burns **DATE:** 2/3/2025
TAX(ES): Income Tax
SUBJECT(S): 0% Rate Individual and Corporate (Including Bank Privilege)
EFFECTIVE DATE: November 1, 2025 **Emergency**

ESTIMATED REVENUE IMPACT:

FY26: Decrease in individual & corporate income tax collections of \$7.367 billion.
FY27: Decrease in individual & corporate income tax collections of \$5.479 billion.

Note: A November 1, 2025, effective date moves all the impact of this proposal to FY26; withholding and estimated tax remittances reflecting the proposed rate reduction should not change until after November 1, 2025.

ANALYSIS: SB 295 proposes to amend 68 O.S. § 2355 by specifying that there shall be no tax imposed upon the Oklahoma taxable income of any resident or nonresident individual or any corporation doing business in Oklahoma for tax year 2025 and subsequent tax years. Section 2370 is amended to end the bank privilege tax levy effective for tax year 2025 and subsequent tax years.

ADMINISTRATIVE CONCERNS: Tax year 2025 income tax withholding tables would require a midyear adjustment and would create a significant amount of refunds in 2026 when the 2025 returns are filed. Additionally, SB 295 does not amend any other sections of the *Oklahoma Income Tax Act* (68 O.S. §2351 et seq.). This leads to statutorily required income tax return filing under 68 O.S. 2368 even though no income tax is due. Professional license holders still need to be income tax compliant to renew their license. Additionally:

- Refundable credits are not eliminated and would still have to be paid (refunded) to the taxpayer. This includes the Parental Choice Tax Credits among others.
- In addition to apportionment to the General Revenue Fund, income tax collections fund a variety of other funds, including but not limited to the Education Reform Revolving Fund, Teachers Retirement, Ad Valorem Reimbursement Fund, Quality Jobs Program, and the Rebuild Oklahoma Access & Driver Safety Fund.
- Income tax returns can be amended up to 3 years from the original due date. Tax year 2024 returns can generally be amended until April 2028.

2/3/25

DATE

Huan Gong

DR. HUAN GONG, CHIEF TAX ECONOMIST

2/3/25

DATE

Marie Schuble

MARIE SCHUBLE, DIVISION DIRECTOR

2/5/25

DATE

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.

CORPORATE INCOME TAX & BANK PRIVILEGE TAX¹

The proposed tax rate reductions were estimated using the Oklahoma Tax Commission forecast² for corporate income tax.

FY EFFECT INCOME TAX - RATE TO ZERO			
FY CONVERSION		FY26	FY27
Tax year 2025	-\$619,107,500	-\$619,107,500	
Tax year 2026	-\$587,364,000	-\$293,682,000	-\$293,682,000
Tax year 2027	-\$570,078,000		-\$285,039,000
FY TOTAL		-\$912,789,500	-\$578,721,000

INDIVIDUAL INCOME TAX

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 ELIMINATE INDIVIDUAL INCOME TAX				
Fiscal Impact				
FY CONVERSION		FY25	FY26	FY27
Tax year 2025	-\$4,540,997,000	\$0	-\$4,540,997,000	
Tax year 2026	-\$4,782,469,000		-\$1,912,988,000	-\$2,869,481,000
Tax year 2027	-\$5,076,656,000			-\$2,030,662,000
FY TOTAL		\$0	-\$6,453,985,000	-\$4,900,143,000

Source: Oklahoma Individual Income Tax Micro-Simulation Model.

The tables below reflect the current individual income tax brackets for tax year 2025 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

¹ Corporate income tax and the bank privilege tax are administered in the same manner by the OTC and the tax collections data are combined.

² The impact for corporate income tax was estimated utilizing the forecasted numbers for the February BOE (January 29, 2025 - Oklahoma Tax Commission Letter to Rick Rose, Director Office of Management and Enterprise) and may differ from earlier estimates that used the December forecasted numbers.