



BILL/VERSION:	SB 304 / INTRODUCED	ANALYST: MK
AUTHORS:	Sen. Rader	DATE: 1/10/2025
TAX(ES):	Income Tax	
SUBJECT(S):	ITT Rate Change, Personal Exemption & Standard Deduction	
EFFECTIVE DATE:	November 1, 2025	Emergency <input type="checkbox"/>

ESTIMATED REVENUE IMPACT:

FY25: \$0

FY26: Decrease in individual income tax collections of \$397.7 million.

FY27: Decrease in individual income tax collections of \$299.8 million.

Note: The Nov. 1, 2025 effective date shifts the FY25 impact to FY26, causing a larger impact in FY26 than FY27. See below for detail.

ANALYSIS: SB 304 proposes to amend 68 O.S. § 2355 by replacing the graduated income tax rate structure with a single rate of 4.5% of Oklahoma taxable income. Additionally, this measure amends 68 O.S. § 2358, eliminating the \$1000 personal exemption, and the \$1,000 additional personal exemptions for taxpayers 65 years of age or older and for blind taxpayers. Also, the amount of standard deduction that is allowed to compute Oklahoma taxable income is increased.

All the proposals are effective for tax year 2025 and subsequent tax years.

ADMINISTRATIVE CONCERNS: The effective date of Nov. 1, 2025 for a proposal effective for tax year 2025 creates withholding issues and larger refunds in the subsequent year. Income tax withholding tables would require an adjustment on November 1, 2025. Most wage earners will have withholding under the old rate structure and the effect of the changes will be primarily reflected in FY26 when the majority of 2025 tax returns are filed.

1/10/25
DATE

Huan Gong
DR. HUAN GONG, CHIEF TAX ECONOMIST

1/14/25
DATE

Marie Schuble
MARIE SCHUBLE, DIVISION DIRECTOR

1/14/2025
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.



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 4.5% Flat Rate; Eliminate Personal Exemptions; & Modify Standard Deduction			
Fiscal Impact			
Tax year 2025	-\$280,369,000		
Tax year 2026	-\$293,251,000		
Tax year 2027	-\$309,731,000		
FY CONVERSION	FY25	FY26	FY27
Tax year 2025	-\$280,369,000	\$0	-\$280,369,000
Tax year 2026	-\$293,251,000	-\$117,300,000	-\$175,951,000
Tax year 2027	-\$309,731,000		-\$123,892,000
	FY TOTAL	\$0	-\$397,669,000
Source: Oklahoma Individual Income Tax Micro-Simulation Model.			

The table below reflects the current and proposed standard deduction amounts for tax year 2025 and subsequent tax years. Note: The proposed standard deduction levels for 2025 and subsequent tax years create a "marriage penalty" since the single standard deduction is more than one-half of the married filing joint standard deduction.

Filing Status	Standard Deduction Amount	
	Current	Proposed
Married Filing Joint & Surviving Spouse	\$12,700	\$24,900
Single & Married Filing Separate	\$6,350	\$13,550
Head of Household	\$9,350	\$19,225

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