



BILL/VERSION: SB 46 / INTRODUCED

ANALYST: TB

AUTHORS: Sen. Weaver

DATE: 2/14/2025

TAX(ES): Income Tax

SUBJECT(S): Deduction

EFFECTIVE DATE: November 1, 2025

Emergency

ESTIMATED REVENUE IMPACT:

FY26: \$0

FY27: Unknown decrease in income tax collections.

ANALYSIS: SB 46 proposes a new deduction from Oklahoma Adjusted Gross Income beginning in tax year 2026, allowing taxpayers to subtract state or local income tax refunds, credits, or offsets reported on federal Form 1099-G.

Currently, taxpayers who itemize deductions are required under 68 O.S. § 2358(E)(24) to add back to their Oklahoma taxable income the amount of state and local income tax deducted. Under federal law, state or local income tax refunds that were previously deducted as an itemized deduction must be added back to federal taxable income. As a result, these refunds are also added back into Oklahoma taxable income, which leads to double taxation since the state and local income taxes were already added back to Oklahoma taxable income in the prior year. SB 46 seeks to address this issue by providing a subtraction for these refunds, ensuring that taxpayers who previously itemized deductions are not penalized by Oklahoma for refunds that were already included in their Oklahoma taxable income.

According to IRS data¹, 35,730 Oklahoma resident individual taxpayers in tax year 2022 added back state and local tax refunds that were previously claimed as an itemized deduction in prior years.

2/14/25

DATE

Huan Gong

DR. HUAN GONG, CHIEF TAX ECONOMIST

2/18/25

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Marie Schuble

MARIE SCHUBLE, DIVISION DIRECTOR

2/23/25

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.



Based on data from the Oklahoma Tax Commission and the IRS, it is estimated that resident individual income taxpayers adding back refunds from prior tax years generates \$1.5 million in additional revenue. However, the number of nonresident individual Oklahoma taxpayers who added back state and local refunds is currently unknown.

ADMINISTRATIVE CONCERNS: The statute does not clearly specify that this deduction applies only to individuals who itemize their deductions. Without explicit language stating this limitation, there may be confusion among taxpayers who take the standard deduction, as they would not be eligible for this subtraction.

ⁱ <https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fwww.irs.gov%2Fpub%2Firs-soi%2F22in37ok.xlsx&wdOrigin=BROWSELINK>