

BILL SUMMARY

1st Session of the 60th Legislature

Bill No.:	HB1599
Version:	INT
Request Number:	10085
Author:	Rep. George
Date:	2/19/2025
Impact:	FY26: \$3.949 million decrease in revenue
	FY27: \$9.872 million decrease in revenue

Research Analysis

HB1599 establishes an income tax exemption for taxpayers that are age 65 or older that receive retirement benefits from any of the state's public retirement plans. Beginning tax year 2026, 100 percent of income receive from an eligible plan is exempt from state income tax.

Eligible plans include: The Oklahoma Public Employees Retirement System, the Teachers' Retirement System of Oklahoma, the Oklahoma Law Enforcement Retirement System , the Oklahoma Firefighters Pension and Retirement System, the Uniform Retirement System for Justices and Judges, the Oklahoma Wildlife Conservation Department Fund, the Oklahoma Police Pension and Retirement System, and the Oklahoma Employment Security Commission Retirement Plan.

Prepared By: Quyen Do

Fiscal Analysis

As introduced, HB1599 proposes to exempt from Oklahoma taxable income 100% of retirement benefits received by taxpayers 65 of older from certain retirement plans.

The Oklahoma Tax Commission has provided the following analysis:

ESTIMATED REVENUE IMPACT:

FY26: Decrease in individual income tax collections of \$3.949 million.¹

FY27: Decrease in individual income tax collections of \$9.872 million.¹

ANALYSIS: HB 1599 proposes to amend 68 O.S. § 2358, relating to government retirement benefits exemption², effective for tax year 2026 and subsequent tax years. Under this proposal, 100% of the retirement benefits received by taxpayers 65 years of age or older from the following Oklahoma retirement plans would be exempt from Oklahoma taxable income: 1) Oklahoma Public Employees Retirement System;³ 2) Teachers' Retirement System of Oklahoma; 3) Oklahoma Law Enforcement Retirement System; 4) Oklahoma Firefighters Pension and Retirement System; 5) Uniform Retirement System for Justices and Judges; 6) Oklahoma Wildlife Conservation Department Fund; 7) Oklahoma Police Pension and Retirement System; and 8) Oklahoma Employment Security Commission Retirement Plan.

To calculate the revenue impact, state and federal pension data was examined and the estimated exempt amount was calculated. Adjustments were made for federal retirees as

well as those under 65 years of age. Based on the most recent tax expenditure report (tax year 2022 data), it is estimated that the potential decrease in income tax collections would be \$9.872 million for tax year 2026. Withholding and estimated payments would be changed so the FY26 impact would be a decrease of \$3.949 million and the FY27 decrease would be \$9.872 million. No growth was factored into this estimate.

Prepared By: Zach Penrod, House Fiscal Staff

Other Considerations

None.

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