



**BILL/VERSION:** SB 299 INTRODUCED

**ANALYST:** TB

**AUTHORS:** Sen. Rader

**DATE:** 1/17/2025

**TAX(ES):** Income Tax

**SUBJECT(S):** Corporate

**EFFECTIVE DATE:** Nov. 1, 2025

**Emergency**

**ESTIMATED REVENUE IMPACT:**

**FY26: Decrease in income tax collections of \$16.7 million.**

**FY27: Decrease in income tax collections of \$33.4 million.**

**ANALYSIS:** SB 299 proposes to amend 68 O.S. § 2358(A)(5)(c)(1), eliminating the "throwback rule" from Oklahoma's corporate income tax calculations starting in tax year 2026. The throwback rule applies to sales of goods shipped from Oklahoma to a state where the company does not have a physical presence or tax obligations. These sales are treated as if they occurred in Oklahoma, ensuring they are included in the state's tax base for corporate income tax purposes.

If the proposed bill is enacted, the throwback rule would no longer apply to these sales starting in 2026. This means that sales made from Oklahoma to states where the company has no physical presence or tax obligations would no longer be included in the calculation of income subject to Oklahoma corporate income tax. As a result, less income would be apportioned to Oklahoma, potentially reducing corporate income tax collections.

Oklahoma does not collect detailed data specific to the throwback rule, making it difficult to estimate the exact fiscal impact of removing the rule. However, a study<sup>i</sup> conducted by the Arkansas Department of Finance and Administration found that Arkansas experienced an average annual revenue decline of 5.59% between 2013 and 2016 after removing the throwback rule<sup>ii</sup>. If Oklahoma were to experience a similar decline, applying the 5.59% reduction to the state's estimated corporate income tax collections for FY26 (\$597,156,000)<sup>iii</sup> would result in a projected revenue decrease of approximately \$16.7 million<sup>iv</sup> for FY26 and \$33.4 million for FY27.

1/17/25

DATE

*Huan Gong*

DR. HUAN GONG, CHIEF TAX ECONOMIST

1/21/25

DATE

*Marie Schuble*

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*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.*



This change may have a more significant impact on larger businesses with a higher volume of interstate transactions, particularly those with substantial out-of-state sales that would no longer be included in Oklahoma's tax base.

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<sup>i</sup> Tax Reform and Relief Legislative Task Force - *Revenue Impact of Combination of Adoption of Single Sales Factor and Throwback Rule Elimination* [Revenue Impact - Single Sales and Throwback Rule \(state.ar.us\)](#) September 4, 2018. The estimated dollar impact for the elimination of the throwback rule was reported.

<sup>ii</sup> Net corporate income tax collections for Arkansas. Data source: *State Government Tax Collections, Corporation Net Income Taxes in Arkansas*; U.S. Census Bureau, *State Government Tax Collections, Corporation Net Income Taxes in Arkansas* [ARCORPINCTX], retrieved from FRED, Federal Reserve Bank of St. Louis

<sup>iii</sup> Total tax collections to be apportioned from Corporate Income Tax - *Oklahoma Tax Commission Letter to the Office of Management and Enterprise Services regarding the Revenue Forecast for FY 2026*; December 2024

<sup>iv</sup>  $\$597,156,000 * (.0559 * .50) = \$16.7$  million