



BILL/VERSION: SB 48 / INTRODUCED **ANALYST** MK
AUTHORS: Sen. Rader **DATE:** 2/10/2025
TAX(ES): Income Tax
SUBJECT(S): Oklahoma Source Capital Gain Deduction
EFFECTIVE DATE: November 1, 2025 **Emergency**

ESTIMATED REVENUE IMPACT:

FY26: Estimated increase in income tax collections of \$69.482 million.

FY27: Estimated increase in income tax collections of \$177.149 million.

ANALYSIS: SB 48 proposes to amend 68 O.S. § 2358, eliminating the Oklahoma source capital gain deduction beginning with tax year 2026. The effects of this proposal¹ were estimated using the Oklahoma Individual Income Tax Microsimulation Model. The chart below shows the estimated impact by tax and fiscal year:²

SB 48 - Eliminate the Oklahoma Source Capital Gain Deduction			
FY CONVERSION		FY26	FY27
Tax Year 2026	\$173,705,000	\$69,482,000	\$104,223,000
Tax Year 2027	\$182,316,000		\$72,926,000
Tax Year 2028	\$191,109,000		
	FY TOTAL	\$69,482,000	\$177,149,000

Source: Oklahoma Individual Income Tax Micro-Simulation Model.

¹ The Oklahoma Individual Income Tax Micro-Simulation Model can only estimate the effects on individual income tax. The Oklahoma source capital gain deduction is available for both corporate and individual income tax filers. Although aggregate data for corporate filers is not available, the elimination of the Oklahoma source capital gain deduction for corporate filers is expected to have minimal effect on revenue.

² The tax year to fiscal year conversion assumes sophisticated taxpayers will reduce their withholding and estimated tax payments in tax year 2026 and, an equal distribution of when the capital gains are realized.

2/10/25
DATE

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DR. HUAN GONG, CHIEF TAX ECONOMIST

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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.



Under current law, a taxpayer can deduct qualifying gains receiving capital treatment that are included in Federal AGI. The qualifying gain must:

- 1) Be earned on real or tangible personal property located within Oklahoma that you have owned for at least five uninterrupted years prior to the date of the sale.
- 2) Be earned on the sale of stock or ownership interest in an Oklahoma headquartered company, limited liability company, or partnership where such stock or ownership interest has been owned by you for at least two uninterrupted years prior to the date of the sale.
- 3) Be earned on the sale of real property, tangible personal property or intangible personal property located within Oklahoma as part of the sale of all or substantially all of the assets of an Oklahoma headquartered company, limited liability company, or partnership or an Oklahoma proprietorship business enterprise or owned by the owners of such entity or business enterprise for a period of at least two uninterrupted years prior to the date of the sale.