



<b>BILL/VERSION:</b>	<b>HB 2645</b> / Engrossed <sup>1</sup>	<b>ANALYST:</b> TB
<b>AUTHORS:</b>	Rep. Hilbert and Sen. Paxton	<b>DATE:</b> 4/14/2025
<b>TAX(ES):</b>	Income Tax	
<b>SUBJECT(S):</b>	Credit	
<b>EFFECTIVE DATE:</b>	January 1, 2026	<b>Emergency</b> <input type="checkbox"/>

**ESTIMATED REVENUE IMPACT:**  
**FY26: Unknown decrease in income tax collections.**  
**FY27: Unknown decrease in income tax collections.**

**ANALYSIS:** HB 2645 proposes to enact an income tax credit of up to \$25,000 annually for qualifying physicians based on their income from the practice of medicine in rural areas of Oklahoma beginning with tax year 2026. The credit is available for five years (initial year plus four subsequent years). The credit does not have a carryover provision for any credits not used.

The total amount of tax credits available to qualifying doctors practicing in rural areas is limited to \$1 million annually. If, in any given year, the Oklahoma Tax Commission (OTC) determines that the total credits claimed exceed this \$1 million threshold, all qualifying taxpayers will still receive their respective credits for that year, even for amounts exceeding the limit. However, this overage triggers a suspension of the tax credit for the following taxable year, during which no taxpayers will be eligible to claim the credit. This cap calculation method may result in a pattern where credits are uncapped one year, followed by a year where zero credits are allowed.

Due to the time required to process all tax returns, including those filed with extensions, the OTC would likely determine whether the \$1 million cap was exceeded for tax year 2026 in late 2027. Consequently, the first practical opportunity to assess and potentially suspend the credit, based on exceeding the cap, would be for the 2028 tax year.

<sup>1</sup> Engrossed HB 2645 is identical to Committee Substitute reviewed by the Appropriations and Budget Committee.

<u>4/14/25</u>	<u>Huan Gong</u>
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<u>4/14/25</u>	<u>Marie Schuble</u>
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DATE	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.*

Estimating the number of physicians who will qualify for the proposed credit is challenging due to data limitations on rural physician workforce trends and tax eligibility criteria. Changes to withholding or estimated tax payments are expected; therefore, an unknown decrease in income tax collections is expected in FY26, with additional effects in fiscal year 2027 when the 2026 returns are filed.

**ADDITIONAL INFORMATION:** To qualify for the tax credit, a doctor (medical doctor or osteopathic physician) must:

- Be licensed in this state by the State Board of Medical Licensure and Supervision or the State Board of Osteopathic Examiners either on or after the effective date of this measure or within two (2) years prior to the effective date, but not earlier than January 1, 2024<sup>i</sup>.
- Have graduated from a college of medicine or osteopathic medicine located in Oklahoma or completed residency in Oklahoma.
- Maintain a primary residence in the same county as the rural area where the qualifying compensation was earned or within the jurisdiction of a federally recognized tribe while being directly employed by a tribally owned or operated health facility or a federal Indian Health Service (IHS) facility<sup>ii</sup>.
- Maintain this primary residence for the entire taxable year for which the credit is claimed.

For purposes of the proposed credit, a rural area is defined as any municipality or unincorporated location in Oklahoma that:

- Has a population not exceeding 25,000, as determined by the most recent Federal Decennial Census.
- Is at least 25 miles from the boundary of the nearest municipality in Oklahoma with a population exceeding 25,000 (per the most recent Federal Decennial Census)<sup>iii</sup>.

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<sup>i</sup> It is unclear if a doctor that renews a license after the effective date of this act could become eligible for the tax credit.

<sup>ii</sup> This measure does not require doctors eligible for this credit to be new to the rural area. This income tax credit is available to those already meeting the qualifications.

<sup>iii</sup> Oklahoma City, Tulsa, Norman, Broken Arrow, Edmond, Lawton, Moore, Midwest City, Enid, Stillwater, Owasso, Bartlesville, Muskogee, Shawnee, Bixby, Jenks, and Yukon. are the only municipalities in Oklahoma with population greater than 25,000. [https://www.oklahoma-demographics.com/cities\\_by\\_population](https://www.oklahoma-demographics.com/cities_by_population)