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| BILL/VERSION: | SB 291 / Introduced | ANALYST: MK |
| AUTHORS: | Sen. Pugh | DATE: 2/19/2025 |
| TAX(ES): | Income Tax | |
| SUBJECT(S): | New Income Tax Credit Based on Growth | |
| EFFECTIVE DATE: | November 1, 2025 | Emergency <input type="checkbox"/> |

ESTIMATED REVENUE IMPACT:

FY26: \$0

FY27: \$0

FY28: Unknown decrease in income tax collections.

ANALYSIS: SB 291 proposes to enact a new refundable income tax credit, contingent upon the State Board of Equalization (BOE) making certain findings of growth in amounts available for appropriation pursuant to Oklahoma Constitution, Art. X, § 23, 1ⁱ. If in February 2026, the BOE certifies amounts available for appropriation in FY27 exceed by 10% the amounts available for appropriation for FY26 as certified in February 2025, the Oklahoma Tax Commission (OTC) is required to calculate the amount of refundable income tax credit available for tax year 2027. The credit is calculated by using the amount of revenues exceeding 5% of the growth certified for FY27 over FY26. OTC is then required to divide that amount by the sum of the number of returns filed for tax year 2024¹ multiplied by 2.01 for married filing joint returns and 1.005 for all other filing statuses. This establishes the base credit per return and must be rounded to the nearest dollar. The credit for married filing joint filers is 2 times the base credit.

It is unknown if the FY27 amounts available for appropriation will exceed the FY26 amounts available for appropriation when the BOE meets in February 2026 in order to trigger a tax year 2027 income tax credit. Any potential decrease in income tax collections should occur in FY28 when the tax year 2027 returns are filed.

¹ The number of returns and eligibility for the credit includes part-year and nonresident returns.

2/19/25
DATE

Huan Gong
DR. HUAN GONG, CHIEF TAX ECONOMIST

2/19/25
DATE

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.



ADMINISTRATIVE CONCERNS: This measure does not specify eligibility to receive the refundable credit. Individuals with no income tax filing requirement or a non-Oklahoma resident could file a claim for refund. This is a significant administrative burden on the OTC.

¹ Oklahoma Constitution Article 10, Section 23 paragraph in part 1. *Not more than forty-five (45) days or less than thirty-five (35) days prior to the convening of each regular session of the Legislature, the State Board of Equalization shall certify the total amount of revenue which accrued during the last preceding fiscal year to the General Revenue Fund and to each Special Revenue Fund appropriated directly by the Legislature, and shall further certify amounts available for appropriation which shall be based on a determination, in accordance with the procedure hereinafter provided, of the revenues to be received by the state under the laws in effect at the time such determination is made, for the next ensuing fiscal year, showing separately the revenues to accrue to the credit of each such fund of the state appropriated directly by the Legislature.*