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<b>BILL/VERSION:</b>	<b>SB 304</b> / Committee Substitute	<b>ANALYST:</b> MK
<b>AUTHORS:</b>	Sen. Rader & Rep. Kendrix	<b>DATE:</b> 2/25/2025
<b>TAX(ES):</b>	Income Tax	
<b>SUBJECT(S):</b>	ITT Rate Change, Personal Exemption & Standard Deduction	
<b>EFFECTIVE DATE:</b>	November 1, 2025	<b>Emergency</b> <input type="checkbox"/>

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**ESTIMATED REVENUE IMPACT:** The effective date of SB 304 moves all the impact of this proposal to FY26; withholding and estimated tax remittances reflecting the proposed rate reduction should not change until after November 1, 2025. Individual income tax collections are expected to decrease \$125.2 million for FY26 and \$90.3 million for FY27.

**FY25:** \$0

**FY26:** Decrease in individual income tax collections of \$125.2 million.

**FY27:** Decrease in individual income tax collections of \$90.3 million.

**ANALYSIS:** The Committee Substitute for SB 304 (Req. No. 1747)<sup>1</sup> proposes to amend 68 O.S. § 2355 by replacing the graduated income tax rate structure with a single rate of 4.75% of Oklahoma taxable income. Additionally, this measure amends 68 O.S. § 2358, eliminating the personal exemption of \$1,000, the additional personal exemption for taxpayers 65 years of age or older in the amount of \$1,000, and the additional personal exemption for blind taxpayers in the amount of \$1,000. Also, the amount of standard deduction that is allowed to compute Oklahoma taxable income is increased. Charts on the following page show the current income tax brackets and current standard deduction amounts by income tax filing status, as well as the proposed standard deduction. All the proposals are effective for tax year 2025 and subsequent tax years.

<sup>1</sup> The changes in this Committee Substitute from the Introduced version are the amount of standard deduction for married filing joint is increased to \$27,100 (to eliminate the marriage penalty that resulted in the Introduced version) and the rate is increased from 4.5% to 4.75%. The 4.75% rate is the highest marginal rate under current law

2/25/25  
DATE

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DR. HUAN GONG, CHIEF TAX ECONOMIST

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DATE

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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:** Income tax withholding tables would require an adjustment on November 1, 2025. Most wage earners will have withholding under the old rate structure and the effect of the changes will be primarily reflected when the 2025 tax returns are filed.

The effects of this proposal were estimated using the Oklahoma Individual Income Tax Microsimulation Model. The chart below shows the estimated impact by tax and fiscal year.

<b>FY EFFECT INCOME TAX 4.75% Flat Rate; Eliminate Personal Exemptions; &amp; Modify Standard Deduction</b>				
<b>FY CONVERSION</b>		<b>FY25</b>	<b>FY26</b>	<b>FY27</b>
Tax year 2025	-\$89,242,000	\$0	-\$89,242,000	
Tax year 2026	-\$89,811,000		-\$35,924,000	-\$53,887,000
Tax year 2027	-\$91,036,000			-\$36,414,000
<b>FY TOTAL</b>		<b>\$0</b>	<b>-\$125,166,000</b>	<b>-\$90,301,000</b>

Source: Oklahoma Individual Income Tax Micro-Simulation Model.

The table below reflects the current and proposed standard deduction amounts for tax year 2025 and subsequent tax years.

<b>Filing Status</b>	<b>Standard Deduction Amount</b>	
	<b>Current</b>	<b>Proposed</b>
Married Filing Joint & Surviving Spouse	\$12,700	\$27,100
Single & Married Filing Separate	\$6,350	\$13,550
Head of Household	\$9,350	\$19,225

The tables below reflect the current individual income tax brackets for tax year 2025 and subsequent tax years.

<b>Current Law</b>				
<b>Single &amp; Married Separate Filers</b>				
<b>Taxable income</b>	<b>Pay</b>	<b>plus</b>	<b>over</b>	
\$0	\$1,000	\$0.00	0.25%	\$0
\$1,001	\$2,500	\$2.50	0.75%	\$1,000
\$2,501	\$3,750	\$13.75	1.75%	\$2,500
\$3,751	\$4,900	\$35.63	2.75%	\$3,750
\$4,901	\$7,200	\$67.25	3.75%	\$4,900
\$7,201	and above	\$153.50	4.75%	\$7,200

<b>Current Law</b>				
<b>Married Joint, Head of Household &amp; Surviving Spouse Filers</b>				
<b>Taxable income</b>	<b>Pay</b>	<b>plus</b>	<b>over</b>	
\$0	\$2,000	\$0.00	0.25%	\$0
\$2,001	\$5,000	\$5.00	0.75%	\$2,000
\$5,001	\$7,500	\$27.50	1.75%	\$5,000
\$7,501	\$9,800	\$71.25	2.75%	\$7,500
\$9,801	\$14,400	\$134.50	3.75%	\$9,800
\$14,401	and above	\$307.00	4.75%	\$14,400