

**BILL SUMMARY**  
1<sup>st</sup> Session of the 58<sup>th</sup> Legislature

<b>Bill No.:</b>	<b>HB 2880</b>
<b>Version:</b>	<b>INT</b>
<b>Request Number:</b>	<b>6562</b>
<b>Author:</b>	<b>Rep. Kendrix</b>
<b>Date:</b>	<b>2/24/2021</b>
<b>Impact:</b>	<b>Tax Commission:</b>

**Revenue Decrease Amount Unknown**  
**(Committee Amendment)**

**Research Analysis**

HB 2880, as introduced, provides that Oklahoma net operating losses that arise in a taxable year beginning prior to January 1, 2018, qualify for carryover to each taxable year following the loss until utilized

Prepared By: Emily McPherson

**Fiscal Analysis**

Review provided by the Tax Commission:

The measure will have no revenue impact as introduced. A Committee Amendment further modifies net operating loss treatment. From the Tax Commission:

The Tax Cut and Jobs Act of 2017 disallowed non-corporate taxpayers a deduction of excess business losses in the year of the loss. Excess business losses are defined as a taxpayer's loss in excess of income for a trade or business income, generally in excess of \$250,000 for a single filer and \$500,000 for a joint return.<sup>1</sup> These losses are treated as excess business losses and are carried forward in the form of a net operating loss (NOL) for federal purposes, but are not NOLs. This federal tax provision is operational for tax years 2018 through 2025, but has been suspended under the CARES Act for tax years 2018-2020. Since these are not NOLs under IRC § 172, current Oklahoma law does not allow them to be used in calculating Oklahoma taxable income.

This amendment would allow any excess business loss for tax year 2021 and subsequent tax years which is disallowed under the Internal Revenue Code but is treated as a federal NOL carryforward to be allowed as a carryforward loss for Oklahoma income tax purposes.

It is unknown the amount of losses which will now be allowed as a carryforward for tax year 2021 and subsequent years under this proposal. An unknown decrease in income tax collections is expected for tax year 2022. With the amount of 2021 NOL known to the taxpayer, it is possible changes to withholding and estimated tax remittances could occur in 2022, so the first potential unknown decrease in income tax collections could occur in FY22.

Prepared By: Mark Tygret

**Other Considerations**

None.

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