

OKLAHOMA TAX COMMISSION

REVENUE IMPACT STATEMENT FIRST REGULAR SESSION, FIFTY-NINTH OKLAHOMA LEGISLATURE

DATE OF IMPACT STATEMENT: March 29, 2023

BILL NUMBER: HB 1954 **STATUS AND DATE OF BILL:** Engrossed 3/22/2023

AUTHORS: House McCall, O'Donnell, Echols & Sims Senate Bullard

TAX TYPE(S): Income Tax **SUBJECT:** Tax Rate

PROPOSAL: Amendatory

HB 1954 proposes to amend 68 O.S. § 2355 by decreasing the individual income tax rate by 0.5% for all income brackets for tax year 2024 and subsequent tax years.

EFFECTIVE DATE: January 1, 2024

REVENUE IMPACT:

Insert dollar amount (plus or minus) of the expected change in state revenues due to this proposed legislation.

FY 23: None

FY 24: Decrease of \$182.2 million in income tax collections.

FY 25: Decrease of \$464.8 million in income tax collections.

March 29, 2023

DATE

Rick Miller

DIVISION DIRECTOR

mk

3/29/2023

DATE

Huan Gong

HUAN GONG, ECONOMIST

3/31/2023

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.

ATTACHMENT TO REVENUE IMPACT - HB 1954 [Engrossed] Prepared 3/29/23

HB 1954 proposes to amend 68 O.S. § 2355 by decreasing the individual income tax rate by 0.5% for all income brackets¹ for tax year 2024 and subsequent tax years.

The current law and proposed tax brackets can be found on the final page of this revenue impact statement.

The effects of this proposal were estimated using the Oklahoma Individual Income Tax Microsimulation Model. The chart below shows the estimated impact by fiscal year.²

FY Effect Income Tax HB 1954 - 0.50% Decrease All Income Brackets				
Revenue Impact				
Tax year 2024	-\$455,402,000			
Tax year 2025	-\$478,911,000			
Tax year 2026	-\$504,707,000			
FY CONVERSION		FY24	FY25	FY26
Tax year 2024	-\$455,402,000	-\$182,161,000	-\$273,241,000	
Tax year 2025	-\$478,911,000		-\$191,564,000	-\$287,347,000
Tax year 2026	-\$504,707,000			-\$201,883,000
	FY TOTAL	-\$182,161,000	-\$464,805,000	-\$489,230,000
Source: Oklahoma Individual Income Tax Micro-Simulation Model.				

Withholding and estimated tax payments would change as a result of the enactment of this measure which would occur in part in FY24. It is expected the revenue impact for FY24 would be a decrease of \$182.2 million in income tax collections and for FY25 a decrease of \$464.8 million in income tax collections.

¹ Under current law the lowest income bracket for all filing statuses is subject to a 0.25% income tax rate. For purposes of this analysis, the lowest bracket for all filing statuses is subject to a 0% income tax rate.

² The fiscal year impacts considered changes to the withholding tables and estimated tax payments due to the income tax rate reduction.

**ATTACHMENT TO REVENUE IMPACT - HB 1954 [Engrossed] Prepared 3/29/23
(continued)**

INDIVIDUAL INCOME TAX BRACKETS

Current Law - Married Filing Joint; Head of Household and Surviving Spouse Brackets								
If Taxable Income Is:								
0	-	\$2,000	Pay	\$0	plus	0.25%	over	\$0
\$2,001	-	\$5,000	Pay	\$5.00	plus	0.75%	over	\$2,000
\$5,001	-	\$7,500	Pay	\$27.50	plus	1.75%	over	\$5,000
\$7,501	-	\$9,800	Pay	\$71.25	plus	2.75%	over	\$7,500
\$9,801	-	\$12,200	Pay	\$134.50	plus	3.75%	over	\$9,800
\$12,201	and above		Pay	\$224.50	plus	4.75%	over	\$12,200

Proposed Law - Married Filing Joint; Head of Household and Surviving Spouse Brackets								
If Taxable Income Is:								
0	-	\$2,000	Pay	\$0.00	plus	0.00%	over	\$0
\$2,001	-	\$5,000	Pay	\$0.00	plus	0.25%	over	\$2,000
\$5,001	-	\$7,500	Pay	\$7.50	plus	1.25%	over	\$5,000
\$7,501	-	\$9,800	Pay	\$38.75	plus	2.25%	over	\$7,500
\$9,801	-	\$12,200	Pay	\$90.50	plus	3.25%	over	\$9,800
\$12,201	and above		Pay	\$168.50	plus	4.25%	over	\$12,200

Current Law - Single and Married Filing Separate Brackets								
If Taxable Income Is:								
\$0	-	\$1,000	Pay	\$0.00	plus	0.25%	over	\$0
\$1,001	-	\$2,500	Pay	\$2.50	plus	0.75%	over	\$1,000
\$2,501	-	\$3,750	Pay	\$13.75	plus	1.75%	over	\$2,500
\$3,751	-	\$4,900	Pay	\$35.63	plus	2.75%	over	\$3,750
\$4,901	-	\$7,200	Pay	\$67.25	plus	3.75%	over	\$4,900
\$7,201	and above		Pay	\$153.50	plus	4.75%	over	\$7,200

Proposed Law - Single and Married Filing Separate Brackets								
If Taxable Income Is:								
\$0	-	\$1,000	Pay	\$0.00	plus	0.00%	over	\$0
\$1,001	-	\$2,500	Pay	\$0.00	plus	0.25%	over	\$1,000
\$2,501	-	\$3,750	Pay	\$3.75	plus	1.25%	over	\$2,500
\$3,751	-	\$4,900	Pay	\$19.38	plus	2.25%	over	\$3,750
\$4,901	-	\$7,200	Pay	\$45.25	plus	3.25%	over	\$4,900
\$7,201	and above		Pay	\$120.00	plus	4.25%	over	\$7,200