

1 **SENATE FLOOR VERSION**

2 April 7, 2025

3 **AS AMENDED**

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ENGROSSED HOUSE
BILL NO. 1539

By: Lepak and Kendrix of the
House

and

Bergstrom, Bullard, and
Jett of the Senate

An Act relating to revenue and taxation; amending 68 O.S. 2021, Section 2355, as last amended by Section 1, Chapter 27, 1st Extraordinary Session, O.S.L. 2023 (68 O.S. Supp. 2024, Section 2355), which relates to income tax rates; prescribing method for reduction of individual income tax rates; defining terms; providing for incremental reduction based on certain revenue determination by the State Board of Equalization; prescribing procedures for computation of certain revenue amounts; and providing an effective date.

BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

SECTION 1. AMENDATORY 68 O.S. 2021, Section 2355, as

last amended by Section 1, Chapter 27, 1st Extraordinary Session, O.S.L. 2023 (68 O.S. Supp. 2024, Section 2355), is amended to read as follows:

Section 2355. A. Individuals. For all taxable years beginning after December 31, 1998, and before January 1, 2006, a tax is hereby imposed upon the Oklahoma taxable income of every resident or

1 nonresident individual, which tax shall be computed at the option of
2 the taxpayer under one of the two following methods:

1. METHOD 1.

a. Single individuals and married individuals filing separately not deducting federal income tax:

- (1) 1/2% tax on first \$1,000.00 or part thereof,
 - (2) 1% tax on next \$1,500.00 or part thereof,
 - (3) 2% tax on next \$1,250.00 or part thereof,
 - (4) 3% tax on next \$1,150.00 or part thereof,
 - (5) 4% tax on next \$1,300.00 or part thereof,
 - (6) 5% tax on next \$1,500.00 or part thereof,
 - (7) 6% tax on next \$2,300.00 or part thereof, and
 - (8) (a) for taxable years beginning after December 31, 1998, and before January 1, 2002, 6.75% tax on the remainder,
(b) for taxable years beginning on or after January 1, 2002, and before January 1, 2004, 7% tax on the remainder, and
(c) for taxable years beginning on or after January 1, 2004, 6.65% tax on the remainder.

- b. Married individuals filing jointly and surviving spouse to the extent and in the manner that a surviving spouse is permitted to file a joint return under the provisions of the Internal Revenue Code and

heads of households as defined in the Internal Revenue
Code not deducting federal income tax:

(1) 1/2% tax on first \$2,000.00 or part thereof,
(2) 1% tax on next \$3,000.00 or part thereof,
(3) 2% tax on next \$2,500.00 or part thereof,
(4) 3% tax on next \$2,300.00 or part thereof,
(5) 4% tax on next \$2,400.00 or part thereof,
(6) 5% tax on next \$2,800.00 or part thereof,
(7) 6% tax on next \$6,000.00 or part thereof, and
(8) (a) for taxable years beginning after December
31, 1998, and before January 1, 2002, 6.75%
tax on the remainder,
(b) for taxable years beginning on or after
January 1, 2002, and before January 1, 2004,
7% tax on the remainder, and
(c) for taxable years beginning on or after
January 1, 2004, 6.65% tax on the remainder.

2. METHOD 2.

a. Single individuals and married individuals filing
separately deducting federal income tax:

- (1) 1/2% tax on first \$1,000.00 or part thereof,
(2) 1% tax on next \$1,500.00 or part thereof,
(3) 2% tax on next \$1,250.00 or part thereof,
(4) 3% tax on next \$1,150.00 or part thereof,

- (5) 4% tax on next \$1,200.00 or part thereof,
 - (6) 5% tax on next \$1,400.00 or part thereof,
 - (7) 6% tax on next \$1,500.00 or part thereof,
 - (8) 7% tax on next \$1,500.00 or part thereof,
 - (9) 8% tax on next \$2,000.00 or part thereof,
 - (10) 9% tax on next \$3,500.00 or part thereof, and
 - (11) 10% tax on the remainder.

b. Married individuals filing jointly and surviving spouse to the extent and in the manner that a surviving spouse is permitted to file a joint return under the provisions of the Internal Revenue Code and heads of households as defined in the Internal Revenue Code deducting federal income tax:

- (1) 1/2% tax on the first \$2,000.00 or part thereof,
 - (2) 1% tax on the next \$3,000.00 or part thereof,
 - (3) 2% tax on the next \$2,500.00 or part thereof,
 - (4) 3% tax on the next \$1,400.00 or part thereof,
 - (5) 4% tax on the next \$1,500.00 or part thereof,
 - (6) 5% tax on the next \$1,600.00 or part thereof,
 - (7) 6% tax on the next \$1,250.00 or part thereof,
 - (8) 7% tax on the next \$1,750.00 or part thereof,
 - (9) 8% tax on the next \$3,000.00 or part thereof,
 - (10) 9% tax on the next \$6,000.00 or part thereof, and
 - (11) 10% tax on the remainder.

1 B. Individuals. For all taxable years beginning on or after
2 January 1, 2008, and ending any tax year which begins after December
3 31, 2015, for which the determination required pursuant to Sections
4 4 and 5 of this act is made by the State Board of Equalization, a
5 tax is hereby imposed upon the Oklahoma taxable income of every
6 resident or nonresident individual, which tax shall be computed as
7 follows:

8 1. Single individuals and married individuals filing
9 separately:

- 10 (a) 1/2% tax on first \$1,000.00 or part thereof,
- 11 (b) 1% tax on next \$1,500.00 or part thereof,
- 12 (c) 2% tax on next \$1,250.00 or part thereof,
- 13 (d) 3% tax on next \$1,150.00 or part thereof,
- 14 (e) 4% tax on next \$2,300.00 or part thereof,
- 15 (f) 5% tax on next \$1,500.00 or part thereof,
- 16 (g) 5.50% tax on the remainder for the 2008 tax year and
17 any subsequent tax year unless the rate prescribed by
18 subparagraph (h) of this paragraph is in effect, and
- 19 (h) 5.25% tax on the remainder for the 2009 and subsequent
20 tax years. The decrease in the top marginal
21 individual income tax rate otherwise authorized by
22 this subparagraph shall be contingent upon the
23 determination required to be made by the State Board

1 of Equalization pursuant to Section 2355.1A of this
2 title.

3 2. Married individuals filing jointly and surviving spouse to
4 the extent and in the manner that a surviving spouse is permitted to
5 file a joint return under the provisions of the Internal Revenue
6 Code and heads of households as defined in the Internal Revenue
7 Code:

- 8 (a) 1/2% tax on first \$2,000.00 or part thereof,
- 9 (b) 1% tax on next \$3,000.00 or part thereof,
- 10 (c) 2% tax on next \$2,500.00 or part thereof,
- 11 (d) 3% tax on next \$2,300.00 or part thereof,
- 12 (e) 4% tax on next \$2,400.00 or part thereof,
- 13 (f) 5% tax on next \$2,800.00 or part thereof,
- 14 (g) 5.50% tax on the remainder for the 2008 tax year and
15 any subsequent tax year unless the rate prescribed by
16 subparagraph (h) of this paragraph is in effect, and
- 17 (h) 5.25% tax on the remainder for the 2009 and subsequent
18 tax years. The decrease in the top marginal
19 individual income tax rate otherwise authorized by
20 this subparagraph shall be contingent upon the
21 determination required to be made by the State Board
22 of Equalization pursuant to Section 2355.1A of this
23 title.

1 C. Individuals. For all taxable years beginning on or after
2 January 1, 2024, and except as provided pursuant to the provisions
3 of subsection D of this section, a tax is hereby imposed upon the
4 Oklahoma taxable income of every resident or nonresident individual,
5 which tax shall be computed as follows:

6 1. Single individuals and married individuals filing
7 separately:

- 8 (a) 0.25% tax on first \$1,000.00 or part thereof,
- 9 (b) 0.75% tax on next \$1,500.00 or part thereof,
- 10 (c) 1.75% tax on next \$1,250.00 or part thereof,
- 11 (d) 2.75% tax on next \$1,150.00 or part thereof,
- 12 (e) 3.75% tax on next \$2,300.00 or part thereof,
- 13 (f) 4.75% tax on the remainder.

14 2. Married individuals filing jointly and surviving spouse to
15 the extent and in the manner that a surviving spouse is permitted to
16 file a joint return under the provisions of the Internal Revenue
17 Code and heads of households as defined in the Internal Revenue
18 Code:

- 19 (a) 0.25% tax on first \$2,000.00 or part thereof,
- 20 (b) 0.75% tax on next \$3,000.00 or part thereof,
- 21 (c) 1.75% tax on next \$2,500.00 or part thereof,
- 22 (d) 2.75% tax on next \$2,300.00 or part thereof,
- 23 (e) 3.75% tax on next \$4,600.00 or part thereof,
- 24 (f) 4.75% tax on the remainder.

1 No deduction for federal income taxes paid shall be allowed to
2 any taxpayer to arrive at taxable income.

3 D. 1. "Qualifying cumulative revenue growth" means an increase
4 of at least Three Hundred Million Dollars (\$300,000,000.00) in
5 excess of the applicable base year amount, which shall include any
6 decrease in the total collections amount for any fiscal year which
7 reflects a decline in total revenue collections. If the total
8 revenue collections equal or exceed Three Hundred Million Dollars
9 (\$300,000,000.00) using either a comparison of one fiscal year to
10 the next succeeding fiscal year or equal or exceed Three Hundred
11 Million Dollars (\$300,000,000.00) as a result of multiple successive
12 comparisons, which shall take into account any comparison which
13 results in an increase of less than Three Hundred Million Dollars
14 (\$300,000,000.00) or which results in a decline in total collections
15 from the preceding year, then if such cumulative net total,
16 including any year in which total collections declined, equals or
17 exceeds Three Hundred Million Dollars (\$300,000,000.00) then the
18 next decrease in the income tax rates as described by this
19 subsection shall be implemented.

20 2. "Total revenue collections" includes all revenue sources
21 reported in the annual report of the Oklahoma Tax Commission
22 excluding any tax collected by the Commission from levies imposed by
23 counties, cities, towns or any other entity of local government.

1 3. Except as otherwise provided by this subsection, for all
2 taxable years beginning on or after January 1, 2026, a tax is hereby
3 imposed upon the Oklahoma taxable income of every resident or
4 nonresident individual, which tax shall be as prescribed in
5 paragraphs 1 and 2 of subsection C of this section reduced in each
6 of the rates as prescribed by paragraph 1 or paragraph 2 of
7 subsection C of this section by twenty-five hundredths of one
8 percent (0.0025), expressed as a decimal, for purposes of the
9 reduction, for any income tax year beginning on the January 1 date
10 immediately succeeding a fiscal year ending on the preceding June 30
11 for which the State Board of Equalization makes a certification, at
12 its December meeting, that total revenue collections for such fiscal
13 year exceeded the qualifying cumulative revenue growth by Three
14 Hundred Million Dollars (\$300,000,000.00) or more.

15 4. The State Board of Equalization, at its December meeting
16 each year, shall make a determination regarding the possibility of a
17 decrease in the income tax rate otherwise prescribed by this
18 subsection. If the revenue conditions prescribed by this subsection
19 are met, which shall be included as part of the findings of the
20 State Board of Equalization, then the income tax rates otherwise
21 prescribed by paragraphs 1 and 2 of subsection C of this section
22 shall be reduced by twenty-five hundredths of one percent (0.0025)
23 effective on January 1 of the calendar year immediately following
24 the year during which the State Board of Equalization makes the

1 finding that qualifying cumulative revenue growth as defined by this
2 subsection is sufficient to reduce the income tax rates otherwise
3 prescribed by paragraphs 1 and 2 of subsection C of this section.
4 For purposes of this subsection, the total collections from all
5 revenue sources for the fiscal year ending June 30, 2023, shall be
6 the initial base year amount.

7 5. Beginning with the December 2025 meeting of the State Board
8 of Equalization and at each succeeding December meeting, the State
9 Board shall compare the total revenue collections amount for the
10 fiscal year ending on the immediately preceding June 30 date, to the
11 applicable base year total collections amount. If there is an
12 increase in the total collections amount equal to or greater than
13 Three Hundred Million Dollars (\$300,000,000.00) compared to the
14 initial base year total collections amount, the income tax rates
15 otherwise prescribed by paragraphs 1 and 2 of subsection C of this
16 section shall be reduced effective January 1 of the immediately
17 succeeding calendar year. If there is not an increase of at least
18 Three Hundred Million Dollars (\$300,000,000.00) in the total
19 collections amount as reflected in the December certification of
20 total collections compared to the applicable base year total
21 collection amount, there shall be no modification of such income tax
22 rates.

23 6. For any fiscal year with respect to which the qualifying
24 cumulative revenue growth as determined at the December meeting

1 equals or exceeds the applicable base year total collection amount
2 by Three Hundred Million Dollars (\$300,000,000.00) or more, the
3 applicable base year total collections amount shall be adjusted for
4 purposes of any succeeding comparison by adding Three Hundred
5 Million Dollars (\$300,000,000.00) plus the increment of all revenues
6 exceeding Three Hundred Million Dollars (\$300,000,000.00) to the
7 prior base year amount and the resulting sum shall become the
8 adjusted base year amount for purposes of future computations
9 required by this subsection.

10 7. After an adjustment is made to any base year amount, a
11 reduction in the income tax rate otherwise prescribed pursuant to
12 this subsection, in increments of twenty-five hundredths of one
13 percent (0.0025), may only occur if there is a subsequent increase
14 of Three Hundred Million Dollars (\$300,000,000.00) or more in the
15 qualifying cumulative revenue growth as defined by this subsection.
16 Subject to the determinations regarding the increase in total
17 collections as defined by this subsection, the reductions prescribed
18 by this subsection shall be made for all applicable income tax years
19 until the rates of individual income tax as prescribed by paragraphs
20 1 and 2 of subsection C of this section equals zero (0).

21 8. For purposes of reporting total collections for purposes of
22 this subsection, the Oklahoma Tax Commission shall use the same
23 methodology used to report estimated revenues to the State Board of

1 Equalization that was used to make the report for the December 2024
2 meeting.

3 E. Nonresident aliens. In lieu of the rates set forth in
4 ~~subsection A above this section~~, there shall be imposed on
5 nonresident aliens, as defined in the Internal Revenue Code, a tax
6 of eight percent (8%) instead of thirty percent (30%) as used in the
7 Internal Revenue Code, with respect to the Oklahoma taxable income
8 of such nonresident aliens as determined under the provision of the
9 Oklahoma Income Tax Act.

10 Every payer of amounts covered by this subsection shall deduct
11 and withhold from such amounts paid each payee an amount equal to
12 eight percent (8%) thereof. Every payer required to deduct and
13 withhold taxes under this subsection shall for each quarterly period
14 on or before the last day of the month following the close of each
15 such quarterly period, pay over the amount so withheld as taxes to
16 the Tax Commission, and shall file a return with each such payment.
17 Such return shall be in such form as the Tax Commission shall
18 prescribe. Every payer required under this subsection to deduct and
19 withhold a tax from a payee shall, as to the total amounts paid to
20 each payee during the calendar year, furnish to such payee, on or
21 before January 31, of the succeeding year, a written statement
22 showing the name of the payer, the name of the payee and the payee's
23 Social Security account number, if any, the total amount paid
24 subject to taxation, and the total amount deducted and withheld as

1 tax and such other information as the Tax Commission may require.

2 Any payer who fails to withhold or pay to the Tax Commission any
3 sums herein required to be withheld or paid shall be personally and
4 individually liable therefor to the State of Oklahoma.

5 E. F. Corporations. For all taxable years beginning after
6 December 31, 2021, a tax is hereby imposed upon the Oklahoma taxable
7 income of every corporation doing business within this state or
8 deriving income from sources within this state in an amount equal to
9 four percent (4%) thereof.

10 There shall be no additional Oklahoma income tax imposed on
11 accumulated taxable income or on undistributed personal holding
12 company income as those terms are defined in the Internal Revenue
13 Code.

14 F. G. Certain foreign corporations. In lieu of the tax imposed
15 in the first paragraph of subsection ~~D~~ E of this section, for all
16 taxable years beginning after December 31, 2021, there shall be
17 imposed on foreign corporations, as defined in the Internal Revenue
18 Code, a tax of four percent (4%) instead of thirty percent (30%) as
19 used in the Internal Revenue Code, where such income is received
20 from sources within Oklahoma, in accordance with the provisions of
21 the Internal Revenue Code and the Oklahoma Income Tax Act.

22 Every payer of amounts covered by this subsection shall deduct
23 and withhold from such amounts paid each payee an amount equal to
24 four percent (4%) thereof. Every payer required to deduct and

1 | withhold taxes under this subsection shall for each quarterly period
2 | on or before the last day of the month following the close of each
3 | such quarterly period, pay over the amount so withheld as taxes to
4 | the Tax Commission, and shall file a return with each such payment.
5 | Such return shall be in such form as the Tax Commission shall
6 | prescribe. Every payer required under this subsection to deduct and
7 | withhold a tax from a payee shall, as to the total amounts paid to
8 | each payee during the calendar year, furnish to such payee, on or
9 | before January 31, of the succeeding year, a written statement
10 | showing the name of the payer, the name of the payee and the payee's
11 | Social Security account number, if any, the total amounts paid
12 | subject to taxation, the total amount deducted and withheld as tax
13 | and such other information as the Tax Commission may require. Any
14 | payer who fails to withhold or pay to the Tax Commission any sums
15 | herein required to be withheld or paid shall be personally and
16 | individually liable therefor to the State of Oklahoma.

17 | G. H. Fiduciaries. A tax is hereby imposed upon the Oklahoma
18 | taxable income of every trust and estate at the same rates as are
19 | provided in subsection B ~~or~~, C, or D of this section for single
20 | individuals. Fiduciaries are not allowed a deduction for any
21 | federal income tax paid.

22 | H. I. Tax rate tables. For all taxable years beginning after
23 | December 31, 1991, in lieu of the tax imposed by subsection A, B ~~or~~,
24 | C, or D of this section, as applicable there is hereby imposed for

1 each taxable year on the taxable income of every individual, whose
2 taxable income for such taxable year does not exceed the ceiling
3 amount, a tax determined under tables, applicable to such taxable
4 year which shall be prescribed by the Tax Commission and which shall
5 be in such form as it determines appropriate. In the table so
6 prescribed, the amounts of the tax shall be computed on the basis of
7 the rates prescribed by subsection A, B or, C, or D of this section.
8 For purposes of this subsection, the term "ceiling amount" means,
9 with respect to any taxpayer, the amount determined by the Tax
10 Commission for the tax rate category in which such taxpayer falls.

11 SECTION 2. This act shall become effective November 1, 2025.

12 COMMITTEE REPORT BY: COMMITTEE ON REVENUE AND TAXATION
April 7, 2025 - DO PASS AS AMENDED