

1 ENGROSSED SENATE
2 BILL NO. 1571

By: Jolley and Newberry of the
Senate

3 and

4 Osborn of the House

5
6
7 [income tax - modifying tax rates - codification -
8 effective date]
9

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

11 SECTION 1. AMENDATORY 68 O.S. 2011, Section 1353, is
12 amended to read as follows:

13 Section 1353. A. It is hereby declared to be the purpose of
14 the Oklahoma Sales Tax Code to provide funds for the financing of
15 the program provided for by the Oklahoma Social Security Act and to
16 provide revenues for the support of the functions of the state
17 government of Oklahoma, and for this purpose it is hereby expressly
18 provided that, revenues derived pursuant to the provisions of the
19 Oklahoma Sales Tax Code, subject to the apportionment requirements
20 for the Oklahoma Tax Commission and Office of State Finance Joint
21 Computer Enhancement Fund provided by Section 265 of this title and
22 beginning July 1, 2013, if applicable, subject to the apportionment
23 requirements for the Rebuilding Oklahoma Access and Driver Safety
24 Fund, the Oklahoma Tourism and Passenger Rail Revolving Fund and the

Public Transit Revolving Fund to be derived from sales tax revenue that would otherwise be apportioned to the General Revenue Fund as provided by Section 1521 of Title 69 of the Oklahoma Statutes, shall be apportioned as follows:

1. a. the following amounts shall be paid to the State Treasurer to be placed to the credit of the General Revenue Fund to be paid out pursuant to direct appropriation by the Legislature:

Fiscal Year	Amount
FY 2003 and FY 2004	86.04%
FY 2005	85.83%
FY 2006	85.54%
FY 2007	85.04%
FY 2008 and each fiscal	
year thereafter	83.61%
<u>FY 2008 through FY 2013</u>	<u>83.61%</u>
<u>FY 2014 and each fiscal</u>	
<u>year thereafter</u>	<u>82.61%</u>

- b. in the event that additional monies are necessary pursuant to paragraph 6 of this section, such additional monies shall be deducted in the proportion determined by the State Board of Equalization pursuant to paragraph 3 of Section 2355.1B of this title from the monies apportioned to the General Revenue Fund;

2. For FY 2003, FY 2004 and FY 2005, ten and forty-two one-hundredths percent (10.42%), shall be paid to the State Treasurer to be placed to the credit of the Education Reform Revolving Fund of the State Department of Education and for FY 2006 and each fiscal year thereafter, ten and forty-six one-hundredths percent (10.46%) shall be paid to the State Treasurer to be placed to the credit of the Education Reform Revolving Fund of the State Department of Education;

3. The following amounts shall be paid to the State Treasurer to be placed to the credit of the Teachers' Retirement System Dedicated Revenue Revolving Fund:

Fiscal Year	Amount
FY 2003 and FY 2004	3.54%
FY 2005	3.75%
FY 2006	4.0%
FY 2007	4.5%
FY 2008 and each fiscal year thereafter	5.0%

4. For the fiscal year beginning July 1, 2010, and for each fiscal year thereafter, eighty-seven one-hundredths percent (0.87%) shall be paid to the State Treasurer to be further apportioned as follows:

- a. thirty-six percent (36%) shall be placed to the credit of the Oklahoma Tourism Promotion Revolving Fund, and

b. sixty-four percent (64%) shall be placed to the credit of the Oklahoma Tourism Capital Improvement Revolving Fund; and

5. For the fiscal year beginning July 1, 2010, and for each fiscal year thereafter, six one-hundredths percent (0.06%) shall be placed to the credit of the Oklahoma Historical Society Capital Improvement and Operations Revolving Fund.

~~6. During the first fiscal year after the State Board of Equalization has made a determination as provided in Section 2355.1B of this title, regarding a baseline amount of revenue apportioned pursuant to paragraph 3 of this section, and for each fiscal year thereafter, in~~ For the fiscal year beginning July 1, 2013, and for each fiscal year thereafter, one percent (1%) shall be placed to the credit of the Ad Valorem Reimbursement Fund.

7. In no event shall monies apportioned pursuant to paragraph 3 of this section, and paragraph 3 of Section 1403 of this title and subparagraph c of paragraph 1 of Section 2352 of this title be less than such baseline amount the amount apportioned in the fiscal year beginning on July 1, 2012. If such amounts are reduced, the amount apportioned pursuant to paragraph 1 of this section and paragraph 1 of Section 1403 of this title shall be reduced accordingly.

B. Provided, for the fiscal year beginning July 1, 2007, and every fiscal year thereafter, an amount of revenue shall be apportioned to each municipality or county which levies a sales tax

1 subject to the provisions of Section 1357.10 of this title and
2 subsection F of Section 2701 of this title equal to the amount of
3 sales tax revenue of such municipality or county exempted by the
4 provisions of Section 1357.10 of this title and subsection F of
5 Section 2701 of this title. The Oklahoma Tax Commission shall
6 promulgate and adopt rules necessary to implement the provisions of
7 this subsection.

8 SECTION 2. AMENDATORY 68 O.S. 2011, Section 2355, is
9 amended to read as follows:

10 Section 2355. A. Individuals. For all taxable years beginning
11 after December 31, 1998 and before January 1, 2006, a tax is hereby
12 imposed upon the Oklahoma taxable income of every resident or
13 nonresident individual, which tax shall be computed at the option of
14 the taxpayer under one of the two following methods:

15 1. METHOD 1.

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

- 18 (1) 1/2% tax on first \$1,000.00 or part thereof,
19 (2) 1% tax on next \$1,500.00 or part thereof,
20 (3) 2% tax on next \$1,250.00 or part thereof,
21 (4) 3% tax on next \$1,150.00 or part thereof,
22 (5) 4% tax on next \$1,300.00 or part thereof,
23 (6) 5% tax on next \$1,500.00 or part thereof,
24 (7) 6% tax on next \$2,300.00 or part thereof, and

- 1 (8) (a) for taxable years beginning after December
2 31, 1998, and before January 1, 2002, 6.75%
3 tax on the remainder,
4 (b) for taxable years beginning on or after
5 January 1, 2002, and before January 1, 2004,
6 7% tax on the remainder, and
7 (c) for taxable years beginning on or after
8 January 1, 2004, 6.65% tax on the remainder.

9 b. Married individuals filing jointly and surviving
10 spouse to the extent and in the manner that a
11 surviving spouse is permitted to file a joint return
12 under the provisions of the Internal Revenue Code and
13 heads of households as defined in the Internal Revenue
14 Code not deducting federal income tax:

- 15 (1) 1/2% tax on first \$2,000.00 or part thereof,
16 (2) 1% tax on next \$3,000.00 or part thereof,
17 (3) 2% tax on next \$2,500.00 or part thereof,
18 (4) 3% tax on next \$2,300.00 or part thereof,
19 (5) 4% tax on next \$2,400.00 or part thereof,
20 (6) 5% tax on next \$2,800.00 or part thereof,
21 (7) 6% tax on next \$6,000.00 or part thereof, and
22 (8) (a) for taxable years beginning after December
23 31, 1998, and before January 1, 2002, 6.75%
24 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.

B. 1. Individuals. For all taxable years beginning on or after January 1, 2008, and before January 1, 2012, a tax is hereby imposed upon the Oklahoma taxable income of every resident or nonresident individual, which tax shall be computed as follows:

1.

a. Single individuals and married individuals filing separately:

~~(a)~~

(1) 1/2% tax on first \$1,000.00 or part thereof,

~~(b)~~

(2) 1% tax on next \$1,500.00 or part thereof,

~~(c)~~

(3) 2% tax on next \$1,250.00 or part thereof,

~~(d)~~

(4) 3% tax on next \$1,150.00 or part thereof,

~~(e)~~

(5) 4% tax on next \$2,300.00 or part thereof,

~~(f)~~

(6) 5% tax on next \$1,500.00 or part thereof, and

~~(g)~~

(7) 5.50% tax on the remainder for the 2008 tax year

~~and any subsequent~~ through the 2011 tax year

~~unless the rate prescribed by subparagraph (h) of
this paragraph is in effect, and~~

~~(h) 5.25% tax on the remainder for the 2009 and~~

~~subsequent tax years. The decrease in the top
marginal individual income tax rate otherwise
authorized by this subparagraph shall be~~

~~contingent upon the determination required to be
made by the State Board of Equalization pursuant
to Section 2355.1A of this title.~~

~~2.~~

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

1 under the provisions of the Internal Revenue Code and
2 heads of households as defined in the Internal Revenue
3 Code:

4 ~~(a)~~

5 (1) 1/2% tax on first \$2,000.00 or part thereof,

6 ~~(b)~~

7 (2) 1% tax on next \$3,000.00 or part thereof,

8 ~~(c)~~

9 (3) 2% tax on next \$2,500.00 or part thereof,

10 ~~(d)~~

11 (4) 3% tax on next \$2,300.00 or part thereof,

12 ~~(e)~~

13 (5) 4% tax on next \$2,400.00 or part thereof,

14 ~~(f)~~

15 (6) 5% tax on next \$2,800.00 or part thereof, and

16 ~~(g)~~

17 (7) 5.50% tax on the remainder for the 2008 tax year

18 ~~and any subsequent~~ through the 2011 tax year

19 ~~unless the rate prescribed by subparagraph (h) of~~

20 ~~this paragraph is in effect, and~~

21 ~~(h) 5.25% tax on the remainder for the 2009 and~~

22 ~~subsequent tax years. The decrease in the top~~

23 ~~marginal individual income tax rate otherwise~~

24 ~~authorized by this subparagraph shall be~~

~~contingent upon the determination required to be
made by the State Board of Equalization pursuant
to Section 2355.1A of this title.~~

2. Individuals. For the taxable year beginning on January 1,
2012, a tax is hereby imposed upon the Oklahoma taxable income of
every resident or nonresident individual, which tax shall be
computed as follows:

a. Single individuals and married individuals filing
separately:

- (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 \$2,300.00 or part thereof,
- (6) 5% tax on next \$1,500.00 or part thereof, and
- (7) 5.25% 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:

- (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, and
- (7) 5.25% tax on the remainder.

3. Individuals.

a. for taxable years beginning on and after January 1,
2013, no tax shall be imposed for any resident or
nonresident:

- (1) Single individuals and married individuals filing
separately whose Oklahoma taxable income is equal
to or less than Eight Thousand Seven Hundred
Dollars (\$8,700.00), and
- (2) 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, whose Oklahoma
taxable income is equal to or less than Fifteen
Thousand Dollars (\$15,000.00).

b. For the taxable year beginning on January 1, 2013, a
tax of 2.5% is hereby imposed upon the Oklahoma
taxable income of every resident or nonresident

1 individual not subject to subparagraph a of this
2 paragraph.

3 c. For the taxable year beginning on January 1, 2014, a
4 tax of 2.25% is hereby imposed upon the Oklahoma
5 taxable income of every resident or nonresident
6 individual not subject to subparagraph a of this
7 paragraph.

8 d. For the taxable year beginning on January 1, 2015, a
9 tax of 2% is hereby imposed upon the Oklahoma taxable
10 income of every resident or nonresident individual not
11 subject to subparagraph a of this paragraph.

12 e. For the taxable year beginning on January 1, 2016, a
13 tax of 1.75% is hereby imposed upon the Oklahoma
14 taxable income of every resident or nonresident
15 individual not subject to subparagraph a of this
16 paragraph.

17 f. For the taxable year beginning on January 1, 2017, a
18 tax of 1.50% is hereby imposed upon the Oklahoma
19 taxable income of every resident or nonresident
20 individual not subject to subparagraph a of this
21 paragraph.

22 g. For the taxable year beginning on January 1, 2018, a
23 tax of 1.25% is hereby imposed upon the Oklahoma
24 taxable income of every resident or nonresident

1 individual not subject to subparagraph a of this
2 paragraph.

3 h. For the taxable year beginning on January 1, 2019, a
4 tax of 1% is hereby imposed upon the Oklahoma taxable
5 income of every resident or nonresident individual not
6 subject to subparagraph a of this paragraph.

7 i. For the taxable year beginning on January 1, 2020, a
8 tax of .75% is hereby imposed upon the Oklahoma
9 taxable income of every resident or nonresident
10 individual not subject to subparagraph a of this
11 paragraph.

12 j. For the taxable year beginning on January 1, 2021, a
13 tax of .5% is hereby imposed upon the Oklahoma taxable
14 income of every resident or nonresident individual not
15 subject to subparagraph a of this paragraph.

16 k. For taxable years beginning on and after January 1,
17 2022, no tax shall be imposed upon the Oklahoma
18 taxable income of every resident or nonresident
19 individual not subject to subparagraph a of this
20 paragraph.

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

23 C. Nonresident aliens. In lieu of the rates set forth in
24 subsection A above, there shall be imposed on nonresident aliens, as

1 defined in the Internal Revenue Code, a tax of eight percent (8%)
2 instead of thirty percent (30%) as used in the Internal Revenue
3 Code, with respect to the Oklahoma taxable income of such
4 nonresident aliens as determined under the provision of the Oklahoma
5 Income Tax Act.

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

1 D. Corporations. For all taxable years beginning after
2 December 31, 1989, a tax is hereby imposed upon the Oklahoma taxable
3 income of every corporation doing business within this state or
4 deriving income from sources within this state in an amount equal to
5 six percent (6%) thereof.

6 There shall be no additional Oklahoma income tax imposed on
7 accumulated taxable income or on undistributed personal holding
8 company income as those terms are defined in the Internal Revenue
9 Code.

10 E. Certain foreign corporations. In lieu of the tax imposed in
11 the first paragraph of subsection C of this section, for all taxable
12 years beginning after December 31, 1989, there shall be imposed on
13 foreign corporations, as defined in the Internal Revenue Code, a tax
14 of six percent (6%) instead of thirty percent (30%) as used in the
15 Internal Revenue Code, where such income is received from sources
16 within Oklahoma, in accordance with the provisions of the Internal
17 Revenue Code and the Oklahoma Income Tax Act.

18 Every payer of amounts covered by this subsection shall deduct
19 and withhold from such amounts paid each payee an amount equal to
20 six percent (6%) thereof. Every payer required to deduct and
21 withhold taxes under this subsection shall for each quarterly period
22 on or before the last day of the month following the close of each
23 such quarterly period, pay over the amount so withheld as taxes to
24 the Tax Commission, and shall file a return with each such payment.

1 Such return shall be in such form as the Tax Commission shall
2 prescribe. Every payer required under this subsection to deduct and
3 withhold a tax from a payee shall, as to the total amounts paid to
4 each payee during the calendar year, furnish to such payee, on or
5 before January 31, of the succeeding year, a written statement
6 showing the name of the payer, the name of the payee and the payee's
7 social security account number, if any, the total amounts paid
8 subject to taxation, the total amount deducted and withheld as tax
9 and such other information as the Tax Commission may require. Any
10 payer who fails to withhold or pay to the Tax Commission any sums
11 herein required to be withheld or paid shall be personally and
12 individually liable therefor to the State of Oklahoma.

13 F. Fiduciaries. A tax is hereby imposed upon the Oklahoma
14 taxable income of every trust and estate at the same rates as are
15 provided in subsection B of this section for single individuals.
16 Fiduciaries are not allowed a deduction for any federal income tax
17 paid.

18 G. Tax rate tables. For all taxable years beginning after
19 December 31, 1991, in lieu of the tax imposed by subsection A or B
20 of this section, as applicable there is hereby imposed for each
21 taxable year on the taxable income of every individual, whose
22 taxable income for such taxable year does not exceed the ceiling
23 amount, a tax determined under tables, applicable to such taxable
24 year which shall be prescribed by the Tax Commission and which shall

1 be in such form as it determines appropriate. In the table so
2 prescribed, the amounts of the tax shall be computed on the basis of
3 the rates prescribed by subsections A and B of this section. For
4 purposes of this subsection, the term "ceiling amount" means, with
5 respect to any taxpayer, the amount determined by the Tax Commission
6 for the tax rate category in which such taxpayer falls.

7 SECTION 3. NEW LAW A new section of law to be codified
8 in the Oklahoma Statutes as Section 2355.3 of Title 68, unless there
9 is created a duplication in numbering, reads as follows:

10 For the tax year beginning on January 1, 2013, and all
11 subsequent tax years, no individual taxpayer may claim any credit,
12 deduction, exemption or exclusion against the tax imposed by
13 subsection B of Section 2355 of Title 68 of the Oklahoma Statutes
14 except as otherwise provided in paragraphs 5, 9, 10, 11, 15, 19 and
15 20 of subsection E of Section 2358 of Title 68 of the Oklahoma
16 Statutes. For purposes of this section, "individual taxpayer" does
17 not include a legal business entity, including limited and general
18 partnerships, corporations, sole proprietorships and limited
19 liability companies even if subject to the tax imposed by subsection
20 B of Section 2355 of Title 68 of the Oklahoma Statutes.

21 SECTION 4. This act shall become effective January 1, 2013.
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1 Passed the Senate the 12th day of March, 2012.

2
3 _____
4 Presiding Officer of the Senate

5 Passed the House of Representatives the ____ day of _____,
6 2012.

7
8 _____
9 Presiding Officer of the House
10 of Representatives