OKLAHOMA
Tax Commission

2026
TAX LEGISLATION SUMMARY

**PREPARED BY THE TAX POLICY DIVISION
OF THE OKLAHOMA TAX COMMISSION**

This informational packet is an abbreviated listing of legislative changes affecting a large number of taxpayers.
It is not intended to be a complete list of tax related laws or law changes.

For further tax information, visit our website at **tax.ok.gov** or contact the Oklahoma Tax Commission at 405.521.3160.

SUMMARY OF 2026 TAX LEGISLATION

TAX POLICY AND RESEARCH DIVISION

Contents

AD VALOREM

HJR 1087

SQ 844

HJR 1087 proposes a constitutional amendment to **Section 6B of Article X of the Oklahoma Constitution** relating to the five-year ad valorem tax exemption for qualifying manufacturing concerns.

Currently, the Constitution requires the Legislature to provide reimbursement to local taxing jurisdictions for ad valorem revenue lost as a result of the manufacturing exemption. The proposal would instead require the Legislature to establish in statute the levels and methodologies used to determine reimbursement amounts to local taxing jurisdictions for revenue lost due to the exemption.

SJR 39

SQ 847

SJR 39 proposes a constitutional amendment to **Section 8B and 8C of Article X of the Oklahoma Constitution** to reduce the annual limitation on increases in the fair cash value of locally assessed real property beginning in tax year 2027. The proposal reduces the annual cap on valuation growth for property qualifying for a homestead exemption or classified as agricultural land from 3% to 1.75% and lowers the cap on all other locally-assessed real property (i.e., non-homestead and commercial property) from 5% to 4%.

The proposal also establishes an additional, graduated limitation on the fair cash value growth for certain senior homesteads based on county median income.

SB 227

Effective January 1, 2027

SB 227 amends **68 O.S. § 1001.1** to expand the description of property exempt from ad valorem tax in lieu of gross production tax. The legislation specifies that exempt property includes flowlines and gathering lines extending from the wellhead to the first sales meter or the boundary of the production unit, and extends the exemption to all qualifying disposal systems, including those operated commercially. Also, it clarifies that such property remains exempt so long as it is essential to the production of oil and gas in commercial quantities.

SB 1122

Effective January 1, 2027

SB 1122 amends **68 O.S. §§ 2808 and 2847** to modify the assessment of public service corporation property for ad valorem tax purposes by establishing a 15% assessment ratio for the subclass of broadband service providers.

SB 1579

Effective November 1, 2026

SB 1579 amends **68 O.S. § 2876** to require that notice of an increase in valuation issued by a county assessor include a taxpayer bill of rights. The measure prescribes specific language to be included in the taxpayer bill of rights and requires such language to be provided with notices of valuation increase.

SB 2018

Effective November 1, 2026

SB 2018 amends **68 O.S. §§ 2802 and 2817** to define residential rental housing as developments containing at least 20 individual rental units, excluding developments receiving the federal low-income housing tax credit provided pursuant to 26 U.S.C. § 42. Such properties are required to be valued using the cost approach for ad valorem tax purposes for a period of 2 years after the completion of construction and upon the property being placed on the tax rolls or until the property is conveyed to an unrelated third-party bona fide purchaser, whichever occurs first.

APPORTIONMENT

HB 3465

Effective November 1, 2026

HB 3465 amends **68 O.S. § 55012** to extend the sunset date of the Oklahoma Emission Reduction Technology Rebate Program from July 1, 2027, to July 1, 2029.

HB 3705

Effective August 13, 2026

HB 3705 amends **70 O.S. §§ 28-101**, the Oklahoma Parental Choice Tax Credit Act, by increasing the annual FY cap from $250 million to $275 million effective for fiscal year 2027.

HB 4036

Effective August 13, 2026

HB 4036 transfers $5 million to the Bringing Sitcoms Home from Hollywood Pilot Program in 68 O.S. § 3642.6 from otherwise unappropriated funds in the Filmed in Oklahoma Program Revolving Fund in 68 O.S. § 3639. *(Language not codified in statute.)*

HB 4072

Effective August 13, 2026

HB 4072 modifies statutory apportionment provisions to direct certain gross production and corporate income tax revenues to the Revenue Stabilization Fund (RSF) and a newly created fund: the "Taxpayer Endowment Trust Fund". More specifically, the amended language provides that 75% of funds in excess of the moving five-year average amount are to be deposited to the RSF, and 25% deposited to the Taxpayer Endowment Trust Fund.

Apportionment of tax revenue which exceeds the five-year average amount			
GP Tax - Oil	Current	Proposed	**Change**
Deposit to the Revenue Stabilization Fund (RSF)	100%	75%	-25%
Deposit to the Taxpayer Endowment Trust Fund	0%	25%	25%
GP Tax - Gas	Current	Proposed	**Change**
Deposit to the Revenue Stabilization Fund (RSF)	100%	75%	-25%
Deposit to the Taxpayer Endowment Trust Fund	0%	25%	25%
Corporate Income Tax	Current	Proposed	**Change**
Deposit to the Revenue Stabilization Fund (RSF)	75%	75%	0%
Deposit to the Constitutional Reserve Fund (CRF)	25%	0%	-25%
Deposit to the Taxpayer Endowment Trust Fund	0%	25%	25%

SB 1239

Effective May 7, 2026

The measure amends **47 O.S. § 1104** to do the following:

- Extends, through June 30, 2031, the current 25% apportionment that would otherwise be allocated to the County Improvements for Roads and Bridges Fund (CIRB), instead distributing those funds to counties for further allocation pursuant to 47 O.S. § 1104(L)(8)(b)(1). Beginning July 1, 2031, the apportionment shifts to the distribution schedule set forth in 47 O.S. § 1104(L)(8)(b)(2).
- The measure clarifies that the first $100,000 in motorcycle and moped registration revenues is to be deposited into the Service Oklahoma Revolving Fund rather than directed to the Oklahoma Tax Commission.

SB 1280

Effective July 1, 2026

SB 1280 amends **68 O.S. §§ 1101, 1102, and 1103** by extending the current oil and gas petroleum excise tax rate, apportionment structure and termination dates from July 1, 2026 to July 1, 2031.

SB 1309

Effective July 1, 2026

SB 1309 amends **69 O.S. § 1521** to modify the allocation of funds within the Rebuilding Oklahoma Access and Driver Safety Fund (ROADS), effective July 1, 2026 (FY27). SB 1309 increases the annual allocation to the Oklahoma Department of Transportation for certain purposes from $80 million to $100 million, while retaining existing tax apportionments and the statutory cap on total ROADS apportionments. SB 1309 does not change the total amount apportioned by the Oklahoma Tax Commission or overall ROADS funding levels and instead reallocates amounts within the ROADS fund.

GROSS PRODUCTION

HB 3986

Effective January 1, 2027

HB 3986 amends **68 O.S. § 1001** to remove the date-based qualification requirement for the recycled water gross production tax exemption, allowing wells that otherwise meet statutory criteria to qualify regardless of completion date. Currently, refunds for exempt production are available only for production occurring on or after July 1, 2022.

SB 1280

Effective July 1, 2026

SB 1280 amends **68 O.S. §§ 1101, 1102, and 1103** by extending the current oil and gas petroleum excise tax rate, apportionment structure and termination dates from 2026 to 2031.

SB 1390

Effective November 1, 2026

SB 1390 amends **68 O.S. § 1004** by extending certain oil gross production tax apportionments associated with the 7%, 4%, and 5% rates through fiscal year 2032. The affected apportionment funds include the Oklahoma Tourism and Recreation Department Capital Expenditure Revolving Fund, the Oklahoma

Conservation Commission Infrastructure Revolving Fund, and the Oklahoma Community Water Infrastructure Development Revolving Fund, with the transition to the Oklahoma Water Resources Board Rural Economic Action Plan Water Projects Fund delayed until after fiscal year 2032.

INCOME TAX

HB 1427

Effective November 1, 2026

HB 1427 amends **68 O.S. § 2357.22** relating to the *Credit for Investment in a Clean-Burning Motor Vehicle Fuel Property* by allowing the credit to be used against the bank privilege tax under 68 O.S. § 2370.

HB 2894

Effective August 13, 2026

HB 2894 amends **68 O.S. § 3933**, the Oklahoma Rural Jobs Act, by establishing separate annual credit limitations of $15 million for applications approved prior to the effective date and $15 million for applications approved on or after the effective date.

HB 3044

Effective November 1, 2026

HB 3044 amends **72 O.S. § 63.19**, reauthorizing the income tax refund checkoff for the benefit of the Oklahoma Department of Veterans Affairs Equipment and Capital Improvement Program, beginning with tax year 2026. This checkoff expired in 2008 under 68 O.S. § 2368.18, which mandates that all income tax checkoffs in state statute expire 4 years after enactment unless reauthorized by the Legislature.

HB 3590

Effective January 1, 2027

HB 3590 amends **68 O.S. § 2357.206**, modifying the student eligibility thresholds and qualification definitions for the tax credit program for individual contributions to a Scholarship Granting Organization under the Oklahoma Equal Opportunity Education Scholarship Act.

HB 3704

Effective November 1, 2026

HB 3704 provides a new section of law, **68 O.S. § 2357.901**, requiring Oklahoma to participate in the federal income tax credit program for individual contributions to a Scholarship Granting Organization (SGO). The federal SGO program authorizes an income tax credit of up to $1,700 for contributions made to an eligible SGO. Oklahoma's credit is 50% of the amount donated to a SGO, not to exceed $1,000 for each taxpayer, $2,000 for married taxpayers filing jointly, or $100,000 for a legal business entity. The federal credit is reduced by the credit amount on the Oklahoma tax return. The Oklahoma Tax Commission is required to coordinate the administration of the federal tax credit with the existing state income tax credit and ensure the SGOs comply with federal law.

HB 3705

Effective August 13, 2026

HB 3705 amends **70 O.S. § 28-101**, the Oklahoma Parental Choice Tax Credit Act, by increasing the annual FY cap from $250 million to $275 million effective for fiscal year 2027.

HB 4028

Effective January 1, 2027

HB 4028 amends **68 O.S. § 2358.110**, the Oklahoma Deduction for Qualified Equity Investments in an Eligible Oklahoma Venture Capital Company, by extending the sunset date through tax year 2031. This deduction allows an accredited investor to deduct up to $25 million during a taxable year for qualified equity investments in an eligible Oklahoma Venture Capital Company.

HB 4118

Effective November 1, 2026

HB 4118 amends **68 O.S. § 2357.801**, the Caring for Caregivers Tax Credit:

- Allows mileage (at the IRS medical and dental rate) for driving an eligible family member to and from medical appointments as an eligible expenditure qualifying for the credit, beginning with tax year 2026.
- Increases the federal adjusted gross income level for an eligible family caregiver to no more than $75,000 ($150,000 for a couple filing jointly).
- Removes minimum age requirement for an eligible family member.
- Increases the maximum credit to $3,000 for all eligible family members under this measure.

HB 4426

Effective November 1, 2026

HB 4426 amends **68 O.S. § 2357.105**, the Strategic Industrial Development Enhancement (SIDE) income tax credit, extending the sunset date from 2027 from tax years ending December 31, 2027, to tax years ending December 31, 2032.

HB 4432

Effective January 1, 2027

HB 4432 amends **68 O.S. §2358(E)(3)(b)**, relating to itemized deductions allowable on an Oklahoma income tax return, by exempting wagering losses deductible for federal income tax purposes from the current Oklahoma itemized deduction cap of $17,000, effective tax year 2027.

SB 1405

Effective November 1, 2026

SB 1405 amends **29 O.S. § 3-310**, reauthorizing the income tax refund checkoff benefiting the Oklahoma Wildlife Diversity Program, beginning with tax year 2027. Section 2368.18 of Title 68 of the Oklahoma Statutes requires all income tax checkoffs in state statute to expire 4 years after enactment unless reauthorized by the Legislature.

SB 1832

Effective July 1, 2026

SB 1832 amends **68 O.S. § 2368.18**, reauthorizing the income tax refund checkoff benefiting the Oklahoma Department of Veterans Affairs Indigent Veteran Burial Program and **72 O.S. § 63.19**, reauthorizing the income tax refund checkoff for the benefit of the Oklahoma Department of Veterans Affairs Equipment and Capital Improvement Program, beginning with tax year 2026.

SB 1992

Effective November 1, 2026

SB 1992 amends **68 O.S. § 2357.105**, the Strategic Industrial Development Enhancement (SIDE) income tax credit, by defining “strategic finance partner” and requiring the Oklahoma Department of Commerce to approve strategic finance partners eligible to receive assigned credits. The measure does not change credit rates, per-project caps, or the statewide annual allocation cap.

SALES AND USE TAX

HB 3661

Effective November 1, 2026

HB 3661 amends **68 O.S. § 1357**, removing the January 2027 sunset date for the sales tax exemption on commercial forestry service equipment sold to businesses engaged in logging, timber, and tree farming.

SB 44

Effective November 1, 2026

SB 44 amends **68 O.S. § 1356** to exempt from state sales tax sales of tangible personal property and services to contractors and subcontractors performing contracts with exempt entities under new subsection (B). Contractors must provide vendors with the entity's exemption certificate and proof of their contractual relationship, and vendors must retain this documentation as evidence of the exemption.

SB 1400

Effective January 1, 2027

SB 1400 amends **68 O.S. § 1357**, reorganizing and consolidating various sales tax exemptions related to aircraft for clarity and ease of reference.

MISCELLANEOUS

INCENTIVES

HB 4036

Effective August 13, 2026

HB 4036 transfers $5 million to the Bringing Sitcoms Home from Hollywood Pilot Program in 68 O.S. § 3642.6 from otherwise unappropriated funds in the Filmed in Oklahoma Program Revolving Fund in 68 O.S. § 3639. *(Language not codified in statute.)*

HB 4191

Effective August 13, 2026

HB 4191 amends **68 O.S. §§ 3903 and 3904**, relating to the Small Employer Quality Jobs Incentive Act, expanding the definition of "basic industry" to include additional NAICS codes (motion picture, video, sound recording, and child daycare industries), and increases Dept of Commerce responsibilities.

GASOLINE/DIESEL

HB 1370

Effective May 18, 2026

HB 1370 repeals **68 O.S. § 500.4A**, which would have automatically increased the state tax on gasoline and diesel if the federal tax on the same was reduced.

CIGARETTE/TOBACCO

SB 680

Effective November 1, 2026

SB 680 amends **68 O.S. §§ 301, 321, and 322** by expanding the definition of cigarettes to include "products that are intended to be heated or burned". It establishes a 50% tax exemption for the sale of cigarettes designed to be heated rather than burned.

ALCOHOL

HB 3501

Effective November 1, 2026

HB 3501 creates a new section, **37A O.S. § 2-165**, allowing Oklahoma Alcoholic Beverage Laws Enforcement (ABLE) Commission to issue multiple licenses for the same location if the applicant is in good standing with ABLE and the Oklahoma Tax Commission.

PENNY

HB 3075

Effective November 1, 2026

HB 3075 creates the "Oklahoma Common Cents Act", amending **62 O.S. § 9002** and creating **74 O.S. § 3120**, to addresses the cessation of penny production by requiring political subdivisions (agencies, boards, etc.) to round cash transactions beginning July 1, 2027. The rounding provisions do not apply to the tax.