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Franchise Tax Eliminated in Oklahoma

OKLAHOMA CITY (June 2, 2023) – Oklahoma’s tax climate is going to be more business friendly thanks to steps taken at the State Capitol. The elimination of the franchise tax is part of a comprehensive tax reform plan proposed after studies were conducted by the State Chamber Research Foundation and the Tax Foundation. Their plan aims to make Oklahoma a more pro-growth tax environment for existing and incoming businesses.

Last week, during a special session, lawmakers passed budget legislation that would repeal the franchise tax. Without action by the governor, it became law on Friday.

“The franchise tax is bad for Oklahoma’s economic growth. Repealing it is a sizable step in the right direction. We shouldn’t be punishing businesses that want to operate here. We should be encouraging them to grow and expand,” said Ben Lepak, executive director of the State Chamber Research Foundation.

The franchise tax is a direct tax on capital investment, charged to businesses simply for the “privilege” of doing business in Oklahoma. Once common in state tax codes around the country, now only 13 states assess it on companies.

“We’ve always been of the mindset that we want to encourage businesses to come to the state and grow their businesses here in the state. If you have a scenario where you punish them for investing, that just doesn’t make a lot of sense. The franchise tax is an antiquated tax. It was put in back in the seventies. It’s another one of those we can take off the list when we try to court businesses for the state of Oklahoma,” said Rep. Gerrid Kendrix.

The tax reform plan, which also includes a cut in the personal income tax rate, was advocated for by The State Chamber this session.

“We are pleased to see lawmakers get the ball rolling on tax reform in our state. We have seen pro-growth tax reform produce results in other states, and we know we can do the same in Oklahoma. Let’s be clear, there are more changes that need to occur in order for us to have one of the most competitive tax codes in the country, but this is certainly a move in the right direction,” said Chad Warmington, president and CEO of The State Chamber.

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