

BILL SUMMARY
2nd Session of the 52nd Legislature

Bill No.:	HB 2545
Version:	FA1
Author:	Representative Wright
Date:	March 9, 2010
Impact:	Tax Commission – Purchase of New Tax Reporting System

Bill Summary

Research Analyst: Arnella Karges

Floor Amendment #1 to HB2545 requires the Oklahoma Tax Commission to prepare and maintain a list of all taxable entities who have claimed a tax credit, including tax credits for a qualified investment in a small business capital company or a rural small business capital company, including the entities' addresses, amount of credits, and statutory provision credit was claimed. The amendment also requires such information to be subject to the Open Records Act.

The amendment also requires the Tax Commission to disclose any Determination Letter or Letter rulings connected with the Small Business Capital Formation Incentive Act and the Rural Venture Capital Formation Incentive Act, upon request.

Fiscal Summary

Fiscal Analyst: Terry McKenna

The FA1 to HB 2545 adds a new Section 3 to the measure which provides that the Oklahoma Tax Commission (OTC) shall make available under the Open Records Act the name and address of each taxable entity, the amount of the credit and the specific statutory provision under which the credit was claimed for each tax credit authorized by any provisions of state law and related to a tax administered by OTC. The amendment defines "tax credit" as a credit against tax liability that is a credit administered by the Commission, excluding statutorily authorized credits. In addition to the tax disclosure information required above, OTC shall maintain a list of any person and any such entity that may be able to claim any such credit as a result of the allocation of tax credits based upon the pass-through federal income tax treatment applicable to the entity that makes a qualified investment in either a qualified small business capital company or a qualified rural small business capital company. The Commission shall determine the identity of such persons and legal entities as of the end of their applicable tax year during which the qualified investment was made. OTC shall disclose upon request and provide copies of any Determination Letter, Letter ruling or equivalent document provided to any person or entity in connection with or anyway related to the Small Business Capital Formation Incentive Act and the Rural Venture Capital Formation Incentive Act."

Fiscal Analysis

Tax Commission officials advise that the provisions of Subsections A, B and D of Section 3 do not seem to add any new responsibilities that are not already required of OTC, except that under Subsection A the individual addresses of taxpayers would also be required to be made available. There is no significant administrative impact to the Commission associated with these subsections.

The provisions of Subsection C would require the Commission to “maintain a list of any person and any such entity that may be able to claim any such credit as a result of the allocation of tax credits” from qualified investments in either a qualified small business capital company or a qualified rural small business capital company. OTC does not currently maintain a list of persons who may claim such a credit nor is that information readily available in the income tax system maintained by the Commission. The allocation of tax credits (as well as income) by pass-through entities are recorded on Federal Form K-1. The Commission does not maintain these records in a manner to be able to comply with the proposed amendment. A listing of taxpayers who receive an allocation of tax credits is made available on “Open Books” when the taxpayers claim the credit on their tax return.

Tax Commission officials advise that a new reporting system would be required to comply with the proposed amendment. Without a new reporting system, OTC would have to manually go through the K-1 Forms filed by entities and hundreds of individual and corporate income tax returns and create a listing of taxpayers who actually claimed one of the tax credits but had a “carryover” to future tax years. This manual effort would require many personnel hours devoted to creating a list of taxpayers already available on the “Open Books” website. At this time, the Commission does not have an estimate of the costs to devise a new reporting system to accommodate the proposal.

Long Term Fiscal Considerations

As Stated Above

Fiscal Analysis Reviewed By:

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