

## BILL SUMMARY

2nd Session of the 53rd Legislature

<b>Bill No.:</b>	<b>HB 3061</b>
<b>Version:</b>	<b>CS</b>
<b>Request Number:</b>	<b>9941</b>
<b>Author:</b>	<b>Mr. Speaker</b>
<b>Date:</b>	<b>3/9/2012</b>
<b>Impact:</b>	<b>Tax Commission:</b>

**Revenue Decrease:**  
**FY-13 - \$132.0 Million**  
**FY-14 - \$330.0 Million**

### Research Analysis

Committee substitute for HB3061 enacts the Oklahoma Tax Reduction and Simplification Act. The act modifies income tax rates on or after December 31, 2012 and provides for a reduction in the tax rates based upon certain revenue conditions. The act also eliminates the personal exemption amounts for individuals and limits deductions to the federal standard deduction of the Internal Revenue code.

Additionally, the act would repeal (1) deductions for expenditures to modify a motor vehicle, home, or workplace for handicapped individuals, (2) exclusion of veterans disability income from taxation, (3) exclusion of prisoner-of-war earnings from taxation, (4) exclusion of a portion of interest income from taxation, (5) exclusion of retirement benefits from taxable income, (6) exclusion of social security benefits from taxable income, (7) exclusion of deferred compensation lump-sum distributions from taxable income, (8) exemption of payment to a medical savings account from taxable income, (9) adjustments to gross income for depreciation of swine or poultry producers, (10) deduction of adoption expenses, (11) exclusion of a discharge of an obligation by a creditor to a farmer for expenses incurred to finance the production of agricultural products, (12) exclusion from income any scholarship or stipend received from participation in the Oklahoma Police Corps Program, (13) deductions for contributions to the Oklahoma College Savings Plan Act, (14) exclusion from income of Armed Forces and civil servants retirement pay, (15) exemption from income of any amount received by a beneficiary of the death benefit for an emergency medical technician or responder, (16) exemption from income any amount received as an award for participation in a competitive livestock show event, (17) exclusion of capital gains income from taxation, and (18) exclusion from income the interest on local governmental obligations.

The act would further (1) excludes individual persons from claiming a oil and gas well depletion allowance, (2) repeals the child care expense tax credit, (3) repeals the manufacturing establishment gas consumption tax credit, (4) modifies the tax credit for investment in qualified clean-burning motor vehicle fuel property, (5) repeals the tax credit for investment in electric motor vehicle property, (6) repeals the federal net operating loss deduction for individuals, (7) repeals the investment tax credit for a new or expanded agricultural commodity processing facility, (8) repeals the safety Pays OSHA Consultation Service tax credit, (9) repeals the tax credit to an energy conservation fund, (10) repeals tax credits for investment in certain qualified venture capital companies, (11) repeals tax credits for coal production and purchases, (12) repeals tax credits for investment in certain space transportation, (13) repeals tax credits for

certain historic battle sites, (14) repeals credits pertaining to agricultural processing cooperatives, (15) repeals tax credits for certain marketing associations, (16) repeals employer child care tax credits, (17) repeals tax credits for investment in certain business enterprises related to commercial air transportation, (18) repeals tax credits pertaining to tax credits for tornado damage, (19) repeals tax credits for small business guaranty fees, (20) repeals tax credits for certain health plans, (21) repeals tax credit for expenditures related to certain energy systems, (22) repeals tax credits for certain zero emission facilities, (23) repeals tax credits for manufacturing of certain small wind turbines, (24) repeals tax credits for certain immunizations, (25) repeals tax credits for tourism promotion, (26) repeals tax credits for certain qualified historic rehabilitation expenses, (27) repeals tax credits for investment in certain space transportation provider entities, (28) repeals tax credits for certain earned income, (29) repeals tax credits for certain donations, (30) repeals tax credits for construction of energy-efficient homes, (31) repeals tax credits for certain wages, (32) repeals tax credits for recycling facilities, (32) repeals tax credits for investment in certain qualified small business capital companies, (33) repeals tax credits for certain ethanol facilities, (34) repeals tax credits for certain biodiesel facilities, (35) repeals tax credits for investment in certain qualified rural small business capital companies, (36), repeals tax credits for payments made with respect to the Oklahoma Local Development and enterprise Zone Incentive Leverage Act, (37) repeals tax credits for poultry litter, (38) repeals tax credits for certain film or music projects, (39) repeals tax credits for dry fire hydrants, (40) repeals tax credits for certain railroad expenditures, (41) repeals tax credits for high-speed data transmission activity, (42) repeals tax credits for certain aircraft parts, (43) repeals tax credits for expenses related to trained canines, (44) repeals tax credits for certain refinery equipment, (45) repeals tax credits for certain educational scholarships, (46) repeals tax credits for certain wire transfer fees, (47) repeals tax credits for certain qualified electric vehicles, (48) repeals exemptions for income of certain military personnel or spouses of military personnel, (49) repeals exemption for certain death benefit payments, (50) repeals deductions for political contributions, (51) repeals adjustments for certain person engaged in farming, (52) repeals bonus depreciation adjustments, (53) repeals tax credit for expenditures by certain volunteer firefighters, (54) repeals tax credits for certain financial institutions, (55) repeals tax credits for certain loan origination fees, (56) repeals tax credits against ad valorem taxes for certain persons, (57) repeals various exemptions from sales tax, and (58) repeals tax credits for research and development.

Prepared By: Aron Storck

### **Fiscal Analysis**

Oklahoma Tax Commission analysis:

The PCS for HB 3061 replaces the existing income tax rate structure with the following tax brackets effective for tax years 2013 and 2014:

Single and Married Filing Separate		Married Filing Joint, Head of Household and Surviving Spouse	
Taxable income			
under \$15,000	0% of total taxable income	Under \$30,000	0% of total taxable income
\$15,000 under \$35,000	2.25% of total taxable income	\$30,000 under \$70,000	2.25% of total taxable income
\$35,000 and above	3.5% of total taxable income	\$70,000 and above	3.5% of total taxable income

There is also a “trigger mechanism” in place for tax year 2015 and subsequent that would allow the rate to be reduced further contingent upon revenue growth.

This measure also repeals forty-nine (49) tax credits effective January 1, 2013 and eliminates almost all individual deductions, exemptions and exclusions in tax year 2013. The standard deduction would still be allowed, as well as certain exemptions that are required either due to federal law or certain court cases<sup>1</sup>.

The projected revenue decrease for this measure is \$131,984,000 for FY13 and \$329,960,000 for FY14. FY15 and beyond cannot be estimated due to uncertainty of tax rate.

Prepared By: Mark Tygret

**Other Considerations**

None indicated.