

OKLAHOMA TAX COMMISSION

FISCAL IMPACT STATEMENT AND/OR ADMINISTRATIVE IMPACT STATEMENT
FIRST REGULAR SESSION, FIFTY-THIRD OKLAHOMA LEGISLATURE

DATE OF IMPACT STATEMENT: February 11, 2011

BILL NUMBER: SB 119 **STATUS AND DATE OF BILL:** Introduced 1/3/11

AUTHORS: House n/a Senate Ivester

TAX TYPE (S): Income Tax **SUBJECT:** Exemption

PROPOSAL: Amendatory

SB 119 proposes to increase the military retirement income exclusion to 100%. Current exclusion is the greater of 75% or \$10,000.

EFFECTIVE DATE: January 1, 2012

REVENUE IMPACT:

Insert dollar amount (plus or minus) of the expected change in state revenues due to this proposed legislation.

FY 12: Projected revenue decrease of \$975,650.

FY 13: Projected revenue decrease of \$2,439,120.

ADMINISTRATIVE IMPACT:

Insert the estimated cost or savings to the Tax Commission due to this proposed legislation.

FY 12: Minimal

_____ DATE	_____ DIVISION DIRECTOR	<u>mck</u>
_____ DATE	_____ REECE WOMACK, ECONOMIST	
_____ DATE	_____ FOR THE COMMISSION	

ATTACHMENT TO FISCAL IMPACT - SB 119 [Introduced] Prepared February 11, 2011

SB 119 proposes to increase the military retirement income exclusion to 100%. Current exclusion is the greater of 75% or \$10,000.

This proposal is effective for tax year 2012. Table 1 below outlines the estimated revenue decrease for tax year 2012.

Table 1	
Estimated tax effect of current 75% exemption for 2009 ¹	\$15,122,000
Number of returns claiming current 75% exemption ¹	25,178
Estimated income that is exempt (using effective tax rate of 3.1%)	\$487,806,452
Average exemption per return	\$19,374
Less: Base \$10,000 Exemption	\$10,000
Estimate of average 75% component	\$9,374
Estimated average 100% exemption	\$12,499
Additional average amount exempt per return (100% exemption less 75% exemption)	\$3,125
Estimated additional income exempt (25,178 X \$3,125)	\$78,681,250
Times effective tax rate of 3.1%	\$2,439,119

It is expected that withholding and estimated tax would be changed as a result of this one-hundred percent (100%) exemption. Therefore, the FY12 impact is expected to be a revenue decrease of \$975,650. The full revenue decrease of \$2,439,120 should occur in FY13.

¹Oklahoma Tax Commission Tax Expenditure Report 2009-2010