

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 517 **STATUS AND DATE OF BILL:** Introduced 1/19/11

AUTHORS: House n/a Senate Mazzei

TAX TYPE (S): Income Tax **SUBJECT:** Credit and Deductions

PROPOSAL: Amendatory

SB 517 proposes to establish sunset dates for a variety of income tax credits and deductions. These credits and deductions would no longer be available beginning with tax year 2014.

EFFECTIVE DATE: November 1, 2011

REVENUE IMPACT:

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

FY 12: -0-

FY 13: -0-

FY 14: -0-

FY 15: Projected revenue increase of \$56,547,800

ADMINISTRATIVE IMPACT:

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

FY 12: None

DATE DIVISION DIRECTOR mck

DATE REECE WOMACK, ECONOMIST

DATE FOR THE COMMISSION

ATTACHMENT TO FISCAL IMPACT - SB 517[Introduced] Prepared February 11, 2011

SB 517 proposes to establish sunset dates for a variety of income tax credits and deductions. These credits and deductions would no longer be available beginning with tax year 2014.

The following credits would be sunsetted under the provisions of this measure:

- Credit for Hazardous Waste Control under 27A O.S. § 2-11-303
- Gas Used in Manufacturing Credit under 68 O.S. § 2357
- Credit for Energy Assistance Fund Contribution under 68 O.S. § 2357.6
- Coal Credit under 68 O.S. § 2357.11
- Credit for Employers Providing Child Care Programs under 68 O.S. § 2357.26
- Credit for Business Providing Child Care Services under 68 O.S. § 2357.27
- Small Business Guaranty Fee Credit under 68 O.S. § 2357.30
- Food Service Establishments Hepatitis A Vaccination under 68 O.S. § 2357.33
- ¹Credit for Qualified Rehabilitation Expenditures under 68 O.S. § 2357.41
- Credit for Biomedical Research Contribution under 68 O.S. § 2357.45
- Credit for the Construction of Energy Efficient Homes under 68 O.S. § 2357.46
- Credit for Modification Expenses Paid for an Injured Employee under 68 O.S. § 2357.47
- Oklahoma Local Development and Enterprise Zone Incentive Leverage Act under 68 O.S. § 2357.81
- Film or Music Project Credit under 68 O.S. § 2357.101
- Dry Fire Hydrant Credit under 68 O.S. § 2357.102
- Credit for Railroad Modernization under 68 O.S. § 2357.104
- Credit for Breeders of Specially Trained Canines under 68 O.S. § 2357.203
- Credit for Making Loans under the Rural Economic Development Loan Act under 68 O.S. § 2370
- Research and Development New Jobs Credit under 68 O.S. § 54006
- Sales Tax Relief Credit under 68 O.S. § 5011

All of the credits above, with the exception of the Sales Tax Relief Credit, are currently subject to the tax credit moratorium as enacted per SB 1267 in the 2010 Legislative Session. These credits can again be generated beginning July 1, 2012. No change to certification is expected for either tax year 2012 or 2013 as a result of this measure. As a result of these credits no longer being available beginning with tax year 2014, a positive revenue impact is expected when the 2014 income tax returns are filed in 2015. The full FY15 impact of sunseting these credits is estimated at a plus \$54.3 million.

Table 1 below summarizes the estimated positive impact of each credit.

¹. Per HB 3024, the Credit for Qualified Rehabilitation Expenditures may be generated during the moratorium period (July 1, 2010 through June 30, 2012) but may not be claimed for any period prior to the taxable year beginning January 1, 2012.

TABLE 1	
Credit	Tax Year 2014²
Credit For Hazardous Waste Control	\$3,300
Gas Used In Manufacturing Credit	\$79,000
Credit For Energy Assistance Fund Contribution	\$21,000
Coal Credit	\$4,276,000
Credit For Employers Providing Child Care Programs	\$33,000
Credit For Business Providing Child Care Services	\$198,000
Small Business Guaranty Fee Credit	\$227,000
Food Service Establishments Hepatitis A Vaccination	\$19,000
Credit For Qualified Rehabilitation Expenditures	\$671,000
Credit For Biomedical Research Contribution	\$364,000
Credit For The Construction Of Energy Efficient Homes	\$3,776,000
Credit For Modification Expenses Paid For An Injured Employee	\$33,500
Oklahoma Tax Commission Local Development And Enterprise Zone Incentive Leverage Act	-0-
Film or Music Project Credit	\$34,000
Dry Fire Hydrant Credit	\$45,000
Credit For Railroad Modernization	\$1,130,000
Credit For Breeders Of Specially Trained Canines	\$129,000
Credit For Making Loans Under The Rural Economic Development Loan Act	\$35,000
Sales Tax Relief Credit	\$43,212,000
Research And Development New Jobs Credit	\$14,000
TOTAL	\$54,299,800

In addition to these credits, SB 517 proposes to sunset the deduction allowed for Oklahoma Interest and Dividends and the deduction for Political Contributions. The fiscal impact of sunseting these deductions was estimated using the Oklahoma Individual Income Tax Microsimulation Model. If these two (2) deductions are not available for tax year 2014, the fiscal impact is estimated to be a positive \$2,248,000 all occurring in FY15 when the 2014 tax returns are filed.

The estimated revenue impact of \$56,547,800 is expected in FY15 as a result of this measure.

² Fiscal impact derived from full year estimate for SB 1267, except for Sales Tax Relief Credit. Source of this estimate is from 2009-2010 Oklahoma Tax Commission Tax Expenditure Report