

OKLAHOMA TAX COMMISSION

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

DATE OF IMPACT STATEMENT: January 18, 2011

BILL NUMBER: SB 70 **STATUS AND DATE OF BILL:** Introduced 12/21/10

AUTHORS: House n/a Senate Holt

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

PROPOSAL: Amendatory

Senate Bill 70 proposes a phased in reduction, beginning with tax year 2013, of the Oklahoma Individual Income Tax Rate Structure.

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: Projected revenue decrease \$19.96 million.

ADMINISTRATIVE IMPACT:

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

FY 12: None

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

ATTACHMENT TO FISCAL IMPACT - SB 70 [Introduced] Prepared January 18, 2011

Senate Bill 70 proposes a phased in reduction, beginning with tax year 2013, of the Oklahoma Individual Income Tax Rate Structure.

The table below illustrates the proposed top tax rates:

Tax year	Current Top Income Tax Rate ¹	Proposed Top Income Tax Rate
2013	5.25%	5.15%
2014	5.25%	5.05%
2015	5.25%	4.95% ²
2016	5.25%	4.85%
2017	5.25%	4.75%
2018	5.25%	4.65%
2019	5.25%	4.55%
2020	5.25%	4.45%
2021	5.25%	4.35%
2022 and subsequent	5.25%	4.25%

The fiscal impact of this proposal was derived using the Oklahoma Tax Commission Individual Income Micro-Simulation Model. It is projected that individual income tax collections would decrease by \$49.9 million for tax year 2013 and decrease by \$107.4 million for tax year 2014. Tax year projections and FY conversions are in the table below through tax year 2015. Due to limitations in the Oklahoma Individual Income Tax Micro-Simulation Model, projections past tax year 2015 are not possible.

Estimated revenue impact of top individual income tax rate reduction for tax year 2013 through tax year 2015.					
	Proposed top tax rate	Fiscal Impact			
Tax year 2013	5.15%	\$	(49,904,000)		
Tax year 2014	5.05%	\$	(107,389,000)		
Tax year 2015	4.95%	\$	(174,409,000)		
FY CONVERSION (assuming 40%/60%)			FY13	FY14	FY15
Tax year 2013	\$ (49,904,000)	\$	(19,961,600)	\$ (29,942,400)	
Tax year 2014	\$ (107,389,000)			\$ (42,955,600)	\$ (64,433,400)
Tax year 2015	\$ (174,409,000)				\$ (69,763,600)
FY TOTAL		\$	(19,961,600)	\$ (72,898,000)	\$ (134,197,000)

Source: Oklahoma Individual Income Tax Microsimulation model

¹ Rate for tax year 2012 and beyond is set by State Board of Equalization (BOE) based on revenue projections. Under current law the top rate will be either 5.5% or 5.25% Per 68 O.S. § 2355.1(B) It is anticipated that BOE will set the tax year 2012 top rate in February of 2011 at 5.25%. For purposes of this analysis, it is assumed that the top rate would remain at 5.25% and the subsequent proposed rates would go into effect as scheduled.

² It must also be noted that the change to the top rate applies to the highest level of income. Within the graduated rate brackets, there exists a 5% tax bracket. As the measure is drafted a rate bubble exists when the “top rate” goes below 5%.