

BILL SUMMARY
2nd Session of the 54th Legislature

Bill No.:	HB 2508
Version:	CS
Request Number:	10472
Author:	Rep. Sears
Date:	3/4/2014
Impact:	Tax Commission:
	Income Tax Revenue Decrease:
	FY-16 - \$57.0 Million
	FY-17 - \$147.0 Million

Research Analysis

HB2508 reduces the top marginal individual income tax rate to 5 percent beginning tax year 2016 provided the estimate revenue growth in the general revenue fund exceeds the cost to pay for the .25% cut. If the estimated revenue growth does not exceed the cost to pay for the .25% cut, then revenue growth will be compared each year until the .25% can be implemented.

The measure also strikes language codified by HB2032 (2013) which was ruled unconstitutional by the Oklahoma Supreme Court.

Prepared By: Quyen Do

Fiscal Analysis

HB 2508 proposes to maintain the top marginal individual income tax rate of 5.25% through 2015 and reduce the top marginal individual income tax rate to 5.0% for tax year 2016 and subsequent tax years.

Section 1 (68 O.S. § 2355) strikes language that was codified in HB 2032¹, language that the Oklahoma Supreme Court ruled unconstitutional in *Fent v. Fallin* (2013 OK 107, __ P.3d __).

Section 2 - Amends 68 O.S. § 2355 by maintaining the top marginal individual income tax rate of 5.25% through tax year 2015 and reducing the top marginal individual income tax rate to 5.0% for tax year 2016 and subsequent tax years.

Section 3 (68 O.S. § 2355.1E) repeals language that was codified in HB 2032¹, language that the Oklahoma Supreme Court ruled unconstitutional in *Fent v. Fallin* (2013 OK 107, __ P.3d __).

Revenue Impact:

Sections 1 and 3 will not change revenue collections.

Sections 2 - Under current law, Oklahoma has a progressive individual income tax rate structure with the top marginal tax rate at 5.25%. This proposal would provide for a top marginal tax rate of 5.0% for tax year 2016 and all subsequent tax years.

The table below shows the estimated effect of the top rate decreasing to 5.0% for tax year 2016 and all subsequent tax years.

<u>FY EFFECT INCOME TAX TOP RATE CHANGE (top rate 5.0% in 2016 & subsequent years)</u>		
		Fiscal Impact
Tax year 2016		\$(142,620,000)
Tax year 2017		\$(153,557,000)
FY CONVERSION		
	FY16	FY17
Tax Year 2016	\$(142,620,000)	\$(85,572,000)
Tax Year 2017	\$(153,557,000)	\$ (61,423,000)
FY TOTAL	\$(57,048,000)	\$ (146,995,000)
Source: Oklahoma Individual Income Tax Micro-Simulation Model.		

¹ Oklahoma Session Laws - 2013 Section 253 - [HB 2032]

The measure includes a mechanism for the rate decrease to take effect only when a finding is made by the State Board of Equalization that sufficient growth in estimated revenue to the General Revenue Fund is in excess of any decrease in individual income tax revenue to the Fund.

Prepared By: Mark Tygret

Other Considerations

None.