

**OKLAHOMA TAX COMMISSION**

FISCAL IMPACT STATEMENT AND/OR ADMINISTRATIVE IMPACT STATEMENT  
SECOND REGULAR SESSION, FIFTY-FOURTH OKLAHOMA LEGISLATURE

DATE OF IMPACT STATEMENT: March 28, 2014

BILL NUMBER: HB 2643 STATUS AND DATE OF BILL: Engrossed 3/13/14

AUTHORS: House Denny Senate Halligan

TAX TYPE (S): Income Tax SUBJECT: Credit

PROPOSAL: Amendatory

HB 2643 proposes to amend 68 O.S. §2357.206 which relates to the *Credit for Contributions to a Scholarship-Granting Organization* and the *Credit for Contributions to an Educational Improvement Grant Organization*. This measure proposes to amend the administration of the statutory caps on the annual amount of these credits which can be used.

EFFECTIVE DATE: January 1, 2015

REVENUE IMPACT:

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

FY 15: -0-

FY 16: -0-

ADMINISTRATIVE IMPACT:

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

FY 15: No additional cost or savings are anticipated due to this proposed legislation.

Mar. 28, 2014  
DATE

Rick Miller  
DIVISION DIRECTOR

mck

3-28-14  
DATE

Reece Womack  
REECE WOMACK, ECONOMIST

March 31, 2014  
DATE

Don Carr  
FOR THE COMMISSION

## ATTACHMENT TO FISCAL IMPACT - HB 2643[Engrossed] Prepared March 28, 2014

HB 2643 proposes to amend 68 O.S. §2357.206 which relates to the *Credit for Contributions to a Scholarship-Granting Organization* and the *Credit for Contributions to an Educational Improvement Grant Organization*. This measure proposes to amend the administration of the statutory caps on the annual amount of these credits which can be used.

### **CURRENT LAW:**

Under current law the *Credit for Contributions to a Scholarship-Granting Organization* for individual taxpayers is fifty percent (50%) of the amount donated not to exceed One Thousand Dollars (\$1,000) for each taxpayer or Two Thousand Dollars (\$2,000) for married taxpayers filing jointly; aggregate credits cannot exceed \$1.75 million annually. The credit for corporate income tax filers is fifty percent (50%) of the total contributions made during the taxable year not to exceed One Hundred Thousand Dollars (\$100,000) per entity; aggregate credits cannot exceed \$1.75 million annually.

The *Credit for Contributions to an Educational Improvement Grant Organization* is fifty percent (50%) of the amount donated with similar limits on a per taxpayer basis as the credit for donations to a scholarship-granting organization. The aggregate credits cannot exceed \$1.5 million annually. This credit increases to seventy-five percent (75%) of the amount donated for any taxpayer who makes a commitment to contribute the same amount for two (2) additional years.

Section 2357.206 requires the Tax Commission to analyze the total contributions made during any calendar year and estimate the proportionate share of the credit which may be claimed so the total credits claimed for a taxable year do not exceed the \$5 million cap. Any unused tax credits in one pool may be used to increase the cap of the other pool for allocation purposes. In order to calculate the proportionate share of the credit which may be claimed, scholarship-granting organizations and educational improvement grant organizations are required to report annually to the Tax Commission information on each contribution accepted.

### **PROPOSED LAW:**

Under this proposal, the total credits are allocated by the Tax Commission on a first-come, first-served basis for tax years beginning on or after January 1, 2015. The Tax Commission is no longer required to estimate the proportionate share of the credit. Also, scholarship-granting organizations and educational improvement grant organizations are no longer required to report to the Tax Commission information on each contribution accepted.

This measure adds Subchapter S corporations to those entities that are eligible for the credit. This measure authorizes the allocation of the credit to partners, shareholders, members and other equity owners of pass-through entities.<sup>1</sup> The credits claimed based on allocations to partners, shareholders, members and other equity owners of pass-through entities will no longer be limited to One Thousand Dollars (\$1,000) for each taxpayer or Two Thousand Dollars (\$2,000) for married taxpayers filing jointly.

This measure increases the *Credit for Contributions to a Scholarship-Granting Organization* to seventy-five percent (75%) of the amount donated for any taxpayer who makes a commitment to contribute the same amount for two (2) additional years.

The aggregate credits (for both corporate and individual taxpayers) cannot exceed \$3.5 million annually for donations to an eligible scholarship-granting organization and \$1.5 million annually for donations to an educational improvement grant organization.

### **REVENUE IMPACT:**

No change to revenue is anticipated due to the enactment of this measure since the annual statutory caps remain unchanged.

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<sup>1</sup> Administratively, the allocation of tax attributes to partners, shareholders, members and other equity owners of pass-through entities is already allowed.