

**OKLAHOMA TAX COMMISSION**

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

DATE OF IMPACT STATEMENT: March 14, 2014

BILL NUMBER: HB 2720 STATUS AND DATE OF BILL: Engrossed Bill 3/4/14

AUTHORS: House Banz Senate Jolley

TAX TYPE (S): Income Tax SUBJECT: Deduction

PROPOSAL: Amendatory and Repealer

HB 2720 proposes to 1) amend 68 O.S. § 2358 (E) (5) which relates to the deduction for military pay by removing the sunset date and 2) repeal 68 O.S. § 2355.1D.

EFFECTIVE DATE: November 1, 2014

REVENUE IMPACT:

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

FY 15: No change in state revenues is anticipated due to this proposed legislation.

FY 16: No change in state revenues is anticipated due to this proposed legislation.

ADMINISTRATIVE IMPACT:

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

FY 15: No additional costs or savings are expected as a result of this proposed legislation

<u>Mar. 14, 2014</u> DATE	<u>Rick Miller</u> DIVISION DIRECTOR	<u>mck</u>
<u>3-14-14</u> DATE	<u>Reece Womack</u> REECE WOMACK, ECONOMIST	
<u>March 17, 2014</u> DATE	<u>Dawn Carr</u> FOR THE COMMISSION	

ATTACHMENT TO FISCAL IMPACT - HB 2720 [Engrossed] Prepared March 14, 2014

HB 2720 proposes to 1) amend 68 O.S. § 2358 (E) (5) which relates to the deduction for military pay by removing the sunset date and 2) repeal 68 O.S. § 2355.1D.

Under current law, Oklahoma residents who are members of any component of the Armed Services may deduct 100% of their active military pay (including Reserve and National Guard pay) to the extent such pay is included in Federal Adjusted Gross Income. This deduction is set to expire for tax years beginning on or after January 1, 2015, unless the State Board of Equalization makes a finding at the December 2014, State Board of Equalization meeting (pursuant to 68 O.S. § 2355.1D) that the amount by which the income tax revenue is estimated to have been reduced by this exemption<sup>1</sup> is less than the amount of sales tax, motor vehicle taxes and fees, vehicle excise tax and motor fuel tax from all taxpayers who receive salary or compensation in any form other than retirement benefits from the United States as a member of any component of the Armed Forces of the United States, for the period beginning on July 1, 2010, and ending before January 1, 2015.

Removing the sunset date for the deduction for military pay should not have any additional fiscal impact.

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<sup>1</sup> Section 2358 (E) (5) of Title 68 refers to military pay as a **deduction** from taxable income, while Section 2355.1D of Title 68 refers to military pay as an **exemption** from taxable income. For the purpose of this analysis, the terms are interchangeable.