OKLAHOMA TAX COMMISSION

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

DATE OF IMPACT STATEMENT: February 7, 2013

BILL NUMBER: SB 339 **STATUS AND DATE OF BILL:** Introduced 1/14/13

AUTHORS: House n/a Senate Mazzei

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

PROPOSAL: Amendatory

SB 339 proposes to amend 68 O.S. § 2355(D) by changing the current flat corporate income tax rate to a graduated rate structure beginning with tax year 2014.

EFFECTIVE DATE: January 1, 2014

REVENUE IMPACT:

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

FY 14: Projected revenue decrease of $15.776 million.
FY 15: Projected revenue decrease of $31.551 million.

ADMINISTRATIVE IMPACT:

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

FY 14: No additional cost or savings are anticipated.

Feb. 8, 2013 — Rick Miller — mck
DATE — DIVISION DIRECTOR

2-8-2013 — Reece Womack
DATE — REECE WOMACK, ECONOMIST

2/11/13 — Dave Cash
DATE — FOR THE COMMISSION

ATTACHMENT TO FISCAL IMPACT SB 339[Introduced] Prepared February 7, 2013

SB 339 proposes to amend 68 O.S. § 2355(D) by changing the current flat corporate income tax rate to a graduated rate structure beginning with tax year 2014.

Under current law, corporations that are subject to Oklahoma income tax are levied a tax of 6% against their Oklahoma taxable income. This measure proposes to create the following tax rate structure for corporations beginning with tax year 2014:

IF TAXABLE INCOME IS:	
Between $0 and $10,000	No Tax
Between $10,000 and $50,000	Pay 1.00% of everything over $10,000
Between $50,000 and $100,000	Pay $400 Plus 2.25% of everything over $50,000
Between $100,000 and $200,000	Pay $1,525 Plus 4.00% of everything over $100,000
$200,000 and over	Pay $5,525 Plus 6.00% of everything over $200,000

Historically, corporate income tax has large swings in annual collections. FY01 through FY12 collections were examined and the amount of revenue apportioned ranged from a low of $106.99 million to a high of $562.33 million. The average amount of corporate income tax apportioned over the past 12 fiscal years, and including the FY13 and FY14 estimates[1] was calculated to be $323.94 million.

To develop this fiscal impact, tax year 2010 corporate income tax return data was analyzed and an estimate was made of what the tax collections for tax year 2010 would have been if the proposed rate structure was in place. The estimate was a decrease in annual corporate income tax collections of 9.74%. Applying this 9.74% decrease to the average amount of corporate income tax apportioned over the past several years, yields a $31.551 million decrease in revenue for FY15. With this proposal effective for tax year 2014, it is estimated that one-half of the impact ($15.776 million) will occur in FY14.

[1] Using the average FY collections from several fiscal years was used to eliminate the volatility associated with corporate income tax collections.