

BILL SUMMARY
1st Session of the 55th Legislature

Bill No.:	SB 20
Version:	FA1
Request Number:	7036
Author:	Rep. Henke
Date:	3/27/2015
Impact:	\$20,279,000-FY-16 income tax coll. decrease
	\$50,697,000-FY-17 income tax. coll. decrease

Research Analysis

Please see previous summary of this measure.

Prepared By: Marcia Goff

Fiscal Analysis

The Floor Amendment to SB 20 proposes to amend 68 O.S. § 2358 by allowing an income tax exemption of the first \$40,000 of income earned by persons holding a teaching certificate issued by the Oklahoma State Board of Education and employed on a full-time basis by a public school in Oklahoma as a classroom teacher. The exemption is limited to income earned pursuant to employment at a public school. This exemption is effective for tax year 2016 and subsequent tax years.

Under current law, no additional exemption exists for income earned by persons holding a teaching certificate issued by the Oklahoma State Board of Education and employed on a full-time basis by a public school in Oklahoma.

As provided by Tax Commission personnel, Table 1 below outlines an estimate of the number of public school teachers, their average salaries¹ and the amount of exempt income. The exempt income is then multiplied by an effective income tax rate of 3.05% to determine the fiscal impact for tax year 2016.

Table 1- Estimate of Exempting the First \$40,000 of Income				
<u>Public Teachers in Oklahoma</u>		<u>Average Salary</u>	<u>Exemption</u>	<u>Exempt Amount</u>
Regular ¹	37,104	\$44,118	\$40,000	\$1,484,160,000
Special Education	<u>4,451</u>	\$46,680	\$40,000	<u>\$178,040,000</u>
Total	41,555		Total Exempt	\$1,662,200,000
			Effective tax rate	<u>3.05%</u>
			Estimated Fiscal Impact	\$ 50,697,000

It is expected that changes to withholding and estimated tax payments would occur, resulting in a decrease in income tax collections in FY16 of \$20,279,000. The full impact of this proposed legislation will occur in FY17, with a decrease in income tax collections of \$50,697,000.

¹Office of Educational Quality & Accountability (OEQA), Oklahoma State Board of Education

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Other Considerations

None

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