

OKLAHOMA TAX COMMISSION

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

DATE OF IMPACT STATEMENT: January 13, 2015

BILL NUMBER: SB 93 **STATUS AND DATE OF BILL:** Introduced 12/31/14

AUTHORS: House n/a Senate Mazzei

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

PROPOSAL: Amendatory

SB 93 proposes to amend 68 O.S. § 2358 by allowing for an exemption of twenty five percent (25%) 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 or private school in Oklahoma. The exemption is limited to income earned pursuant to employment at a public or private school. This exemption is effective for tax year 2016 and subsequent tax years.

EFFECTIVE DATE: November 1, 2015

REVENUE IMPACT:

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

FY 16: Projected revenue decrease of \$6,228,000.

FY 17: Projected revenue decrease of \$15,569,000.

ADMINISTRATIVE IMPACT:

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

FY 16: No additional cost or savings to the Tax Commission due to this proposed legislation.

Jan. 14, 2015
DATE

Rick Miller
DIVISION DIRECTOR

mck

1-19-15
DATE

Reece Womack
REECE WOMACK, ECONOMIST

1/19/15
DATE

Don Cost
FOR THE COMMISSION

ATTACHMENT TO FISCAL IMPACT - SB 93 [Introduced] Prepared: January 13, 2015

SB 93 proposes to amend 68 O.S. § 2358 by allowing for an exemption of twenty five percent (25%) 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 or private school in Oklahoma. The exemption is limited to income earned pursuant to employment at a public or private 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 or private school in Oklahoma.

To develop this fiscal impact, an estimate of the number of teachers and administrators in both public and private schools was determined, as well as their average salaries. Recent data (income and number) for Oklahoma public school teachers and administrators¹ is readily available through the Oklahoma State Board of Education, while private school data relating to the number and income in Oklahoma is available from national sources and is older². To compare the most current data, the national private school data was compared to the same national public school data and then adjusted to the most current public school data.

Average salary levels vary between public and private schools. Based on the aforementioned data Table 1 below outlines the number of public and private school teachers and administrators, their average salaries and the estimated amount of exempt income. Further, the exempt amount is then multiplied by an average income tax rate of 3.1% to determine the fiscal impact for tax year 2016.

Table 1- Estimate of Exempting 25% of Income				
		Average Salary	Exemption	Exempt Amount*
Teachers in Oklahoma				
Public ¹	37,104	\$ 44,118	25%	\$409,239,000
Private (estimate)	<u>2,560</u>	\$ 35,282	25%	<u>\$22,580,000</u>
Total	39,664			\$431,819,000
Administrators in Oklahoma				
Public ¹	3,493	\$ 76,424	25%	\$66,737,000
Private (estimate)	<u>241</u>	\$ 61,118	25%	<u>\$3,682,000</u>
	3,493			\$70,419,000
			Total Exempt	\$ 502,238,000
			Times average tax rate	<u>3.10%</u>
			Estimated Fiscal Impact	<u>\$ 15,569,000</u>
			*rounded	

It is expected that changes to withholding and estimated tax payments would occur, resulting in a decrease in income tax collections in FY16 of \$6,228,000. The full impact of this proposed legislation will occur in FY17, with a decrease in income tax collections of \$15,569,000³.

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

² Snyder, T.D., and Dillow, S.A. (2013). *Digest of Education Statistics 2012 (NCES 2014-015)*. Tables 74, 78 and 87. National Center for Education Statistics, Institute of Education Sciences, U.S. Department of Education. Washington, DC.

³ The language is not specific requiring employment by a public or private K-12 school to be eligible for the proposed exemption, so it is possible that this impact could be higher if persons employed by public or private universities continue to a valid teaching certificate issued by the Oklahoma State Board of Education.