

**BILL SUMMARY**  
1<sup>st</sup> Session of the 52<sup>nd</sup> Legislature

<b>Bill No.:</b>	<b>SB 881</b>
<b>Version:</b>	<b>Engrossed</b>
<b>Author:</b>	<b>Rep. Banz &amp; Sen. Russell</b>
<b>Date:</b>	<b>March 19, 2009</b>
<b>Impact:</b>	<b>Income Tax Revenue Collections</b>
	<b>FY10: \$5.123 Million Decrease</b>
	<b>FY11: \$12.809 Million Decrease</b>

**Bill Summary**

**Fiscal Summary**

Fiscal Analyst: Diane Thomas

ESB 881 beginning in tax year 2010, exempts 100% of military income received by members of the Armed Forces of the U. S. from state income tax. This exemption applies any compensation or salary, but is not extended to retirement benefits.

**Fiscal Analysis**

Currently, members of the Armed Forces that are Oklahoma residents are subject to tax on their active duty, national guard or reserve pay, with the first \$1,500 of income being exempt.

ESB 881 is effective for tax year 2010, therefore, no fiscal impact is anticipated in FY09. It is anticipated 40% of the cost or \$5.123 million will occur in FY10 and the full impact of \$12.809 million will occur in FY11.

The decrease in revenue is estimated as follows:

Number claiming Oklahoma Exclusion	20,148	
Current Oklahoma Exclusion	\$1,500	
Current Tax Expenditure (20,148 x \$1,500)	\$1,511,000	
Number of Active Duty Military- U.S.	1,156,308	52.61%
Number of Reserve and Guard – U.S.	1,041,542	47.39%

Description	Active Duty	Guard/Reserves	Total
Estimated Military Pay – Active Duty	\$320,097,240		
Estimated Military Pay – Reserve/National Guard		\$51,855,910	
Total Number claiming Okla. Exclusion	10,600	9,548	20,148
Total Projected Exempt Military Pay	\$320,097,240	\$51,855,910	
Assumed average tax rate	3.85%	3.85%	3.85%
Projected Decline in tax revenue (all exempt)	\$12,323,744	\$1,996,453	\$14,320,197
Less: Current Expenditure (\$1,500)	\$794,950	\$716,050	\$1,511,000
Net Tax Reduction – full tax year	\$11,528,794	\$1,280,403	\$12,809,197

**Long Term Fiscal Considerations**

As stated above.

Fiscal Analysis Reviewed By:

*Janice Buchanan*

House Fiscal Director