

OKLAHOMA TAX COMMISSION

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

DATE OF IMPACT STATEMENT: April 15, 2013

BILL NUMBER: HB 2032 STATUS AND DATE OF BILL: Committee Substitute 4/4/13

AUTHORS: House Shannon Senate Bingman

TAX TYPE (S): Income Tax SUBJECT: Tax Rate and Credits

PROPOSAL: Amendatory

This measure retains the current progressive individual income tax rate structure with the top marginal tax rate at 5.25% for tax year 2012 through tax year 2014. Effective with tax year 2015 and subsequent tax years, the top marginal rate will be reduced to 4.95%. This measure eliminates the transferability of five (5) income tax credits, effective for tax year 2015, but provides credits not used may be refundable at an amount equal to 80% of the amount eligible to be claimed in tax years 2015 through 2019, with the credits completely eliminated in tax year 2020.

EFFECTIVE DATE: November 1, 2013

REVENUE IMPACT:

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

FY 15: Projected revenue decrease in income tax collections of \$65,782,000

FY 16: Projected net decrease of \$163,378,000 (decrease in income tax collections of \$170,223,000 and increase in insurance premium tax collections of \$6,845,000)

ADMINISTRATIVE IMPACT:

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

FY 15: No additional cost or savings are anticipated.

Apr. 16, 2013
DATE

Rick Miller
DIVISION DIRECTOR

mck

4-16-2013
DATE

Reece Womack
REECE WOMACK, ECONOMIST

4/16/13
DATE

Dean E. G. Carter
FOR THE COMMISSION

ATTACHMENT TO FISCAL IMPACT - HB 2032 [CS] Prepared April 11, 2013

The Committee Substitute for Engrossed HB 2032 amends 68 O.S. § 2355, by maintaining the top marginal individual income tax rate of 5.25% through 2014 and by reducing the top marginal individual income tax rate to 4.95% for tax year 2015 and subsequent tax years.

This measure also amends the following five (5) transferable income tax credits by eliminating their transferability beginning with tax year 2015. For tax years 2015 through 2019, the amount of any credit allowed, but not used to offset a tax liability, may be refunded at an amount equal to 80% of the amount not used. Further, this measure eliminates the tax credits for tax year 2020 and all subsequent tax years.

- Oklahoma Coal Production Credit [68 O.S. § 2357.11]
- Credit for Electricity Generated by Zero-Emission Facilities [68 O.S. § 2357.32A]
- Tax Credit for Qualified Rehabilitation Expenditures [68 O.S. § 2357.41]
- Credit for Eligible Expenditures Incurred by a Contractor in the Construction of Energy Efficient Residential Property [68 O.S. § 2357.46]
- Credit for Eligible Taxpayer's Qualified Railroad Reconstruction or Replacement Expenditures [68 O.S. § 2357.104]

Revenue Impact:

The data for the current model is from tax year 2010 individual income tax returns, simulating certain growth assumptions for tax years 2015 through 2017. Individual income tax revenue is estimated for tax years 2015 through 2017 under current law; and then estimated for each tax year under the proposed law changes. The difference is then calculated, resulting in the estimated impact by tax year. The results from the Oklahoma Individual Income Tax Micro-Simulation Model are then adjusted to account for certain credits that are not calculated in the model.

Table 1 below shows the conversion from a tax year to a fiscal year for the rate change.

TABLE 1 - FY CONVERSION INCOME TAX RATE CHANGE			
		Fiscal Impact	
Tax year 2015		\$(164,455,000)	
Tax year 2016		\$(176,532,000)	
FY CONVERSION		FY15	FY16
Tax year 2015	\$(164,455,000)	\$(65,782,000)	\$(98,673,000)
Tax year 2016	\$(176,532,000)		\$(70,613,000)
FY TOTAL		\$(65,782,000)	\$(169,286,000)
Source: Oklahoma Individual Income Tax Micro-simulation Model			

Table 2 below shows the fiscal year effect when the changes to tax credits are considered.

TABLE 2 - ADJUSTMENTS TO MICRO-SIMULATOR OUTPUT		
	FY15	FY16
Initial Result from Micro-Simulation	\$(65,782,000)	\$(169,286,000)
Adjustments:		
Cost of Refunding Certain Tax Credits ¹	\$-0-	\$(937,000)
Insurance Premium Tax Savings - Income Tax Credits	\$-0-	\$6,845,000
Net FY Effect	\$(65,782,000)	\$(163,378,000)

Table 3 below shows the net FY effect split between income tax and insurance premium tax.

TABLE 3 - FY IMPACT SPLIT BETWEEN INCOME TAX & INSURANCE PREMIUM TAX		
	FY15	FY16
Income Tax	\$(65,782,000)	\$(170,223,000)
Insurance Premium Tax	\$-0-	\$6,845,000
TOTAL	\$(65,782,000)	\$(163,378,000)

¹ Under this proposal effective for tax year 2015 five (5) transferable tax credits are no longer transferable, but are refundable at 80% of their value above what is used against income tax. The impact of this change should occur in FY16 when the 2015 returns are filed.