

INTEROFFICE MEMORANDUM

TO: JOANIE RAFF, STATE SENATE
FROM: TONY MASTIN, OKLAHOMA TAX COMMISSION
SUBJECT: HB 2032 COMMITTEE SUBSTITUTE
DATE: APRIL 3, 2013

Please accept this memorandum regarding the proposed committee substitute to HB 2032. It is our understanding that the bill will:

- reduce the top individual income tax rate from 5.25% to 4.95% beginning in tax year 2015;
- modify the existing transferrable tax credits by creating a January 1, 2020 sunset date for the credits which do not currently have a sunset; and
- eliminate the transferability of these tax credits beginning on January 1, 2015, but provide that the amount of the credit allowed, but not used, may be refunded in an amount equal to 80% of the amount eligible to be claimed.

The estimated fiscal impact from the rate reduction is:

FY15	(\$65,782,000)
FY16	(\$169,286,000)

The sunseting of the existing transferrable tax credits will not have a fiscal impact until FY21. The elimination of the transferability of the credits will have an additional negative fiscal impact to income tax collections and a positive fiscal impact to insurance premium tax collected by the Insurance Department.

The Tax Commission will be able to give a more detailed fiscal analysis after review a full draft of the proposed committee substitute.