

OKLAHOMA TAX COMMISSION

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

DATE OF IMPACT STATEMENT: February 24, 2014

BILL NUMBER: SB 1246 STATUS AND DATE OF BILL: Committee Substitute 2/18/14

AUTHORS: House Osborn Senate Loveless and Mazzei

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

PROPOSAL: Amendatory

SB 1246 proposes to maintain the top marginal individual income tax rate of 5.25% through 2014 and reduce the top marginal individual income tax rate to 5.0% for tax year 2015, and all subsequent tax years. Also, this measure requires state and local taxes¹ included in itemized deductions be added back into taxable income (by subtracting them from itemized deductions).

EFFECTIVE DATE: January 1, 2015

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 of \$3,072,000

FY 16: Projected revenue decrease of \$11,150,000

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 due to this proposed legislation.

<u>Feb. 24, 2014</u>	<u>Rick Miller</u>	<u>mck</u>
DATE	DIVISION DIRECTOR	
<u>2-24-14</u>	<u>Reece Womack</u>	
DATE	REECE WOMACK, ECONOMIST	
<u>2/24/14</u>	<u>Dan Cash</u>	
DATE	FOR THE COMMISSION	

¹ State and local taxes that are deductible are either state income taxes or state general sales taxes; real estate taxes, and personal property taxes. [26 U.S.C. Section 164]

ATTACHMENT TO FISCAL IMPACT - SB 1246 [Committee Sub] February 24, 2014

SB 1246 proposes to maintain the top marginal individual income tax rate of 5.25% through 2014 and reduce the top marginal individual income tax rate to 5.0% for tax year 2015, and all subsequent tax years. Also, this measure requires state and local taxes included in itemized deductions be added back into taxable income (by subtracting them from itemized deductions).

Section 1 - (68 O.S. § 2355) strikes language that was codified in HB 2032², language that the Oklahoma Supreme Court ruled unconstitutional in *Fent v. Fallin* (2013 OK 107, ___ P.3d ___).

Section 2 - Amends 68 O.S. § 2355 by maintaining the top marginal individual income tax rate of 5.25% through 2014 and reducing the top marginal individual income tax rate to 5.0% for tax year 2015 and subsequent tax years.

Section 3 - Amends 68 O.S. § 2358 by requiring **state and local taxes** included in itemized deductions be added back into taxable income (by subtracting them from itemized deductions).

REVENUE IMPACT:

Sections 1 will not change revenue collections.

Sections 2 and 3 - Under current law, Oklahoma has a progressive individual income tax rate structure with the top marginal tax rate at 5.25%. This proposal would provide for a top marginal tax rate of 5.0% for tax year 2015 and all subsequent tax years. Also, this measure requires **all state and local taxes** included in itemized deductions be added back into taxable income (by subtracting them from itemized deductions).

The table below shows the estimated effect of this measure.

FY EFFECT INCOME TAX TOP RATE CHANGE (top rate 5.0% and limit itemized deductions in 2015 & thereafter)			
	Top Rate	Fiscal Impact	
Tax year 2015	5.00%	\$(7,681,000)	
Tax year 2016	5.00%	\$(16,352,000)	
FY CONVERSION		FY15	FY16
Tax Year 2015	\$(7,681,000)	\$(3,072,000)	\$(4,609,000)
Tax Year 2016	\$(16,352,000)		\$(6,541,000)
	FY TOTAL	\$(3,072,000)	\$(11,150,000)

² Oklahoma Session Laws - 2013 Section 253 - [HB 2032]