

OKLAHOMA TAX COMMISSION

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

DATE OF IMPACT STATEMENT: February 13, 2013

BILL NUMBER: SB 862 **STATUS AND DATE OF BILL:** Introduced 1/17/13

AUTHORS: House n/a Senate Jolley

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

PROPOSAL: Amendatory and New Law

SB 862 proposes to designate gold and silver coins issued by the United States government as legal tender in the State of Oklahoma. This measure also amends the current sales tax exemption of gold, silver, platinum, palladium or other bullion items such as coins, bars and legal tender of any nation by removing the requirement that allows for the sale of such items to be exempted so long as such items are stored in a recognized depository facility. Further this measure provides for an income tax exemption for the capital gain realized on the sale or exchange of gold or silver for another form of legal tender.

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 14: Projected revenue decrease of \$195,000

FY 15: Projected revenue decrease of \$930,000

ADMINISTRATIVE IMPACT:

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

FY 14: No additional cost or savings are anticipated.

Feb. 13, 2013
DATE

Rick Miller
DIVISION DIRECTOR

mck & mm

2-13-2013
DATE

Reece Womack
REECE WOMACK, ECONOMIST

2/14/13
DATE

Dan Carr
FOR THE COMMISSION

SB 862 proposes to designate gold and silver coins issued by the United States government as legal tender in the State of Oklahoma. This measure also amends the current sales tax exemption of gold, silver, platinum, palladium or other bullion items such as coins, bars and legal tender of any nation by removing the requirement that allows for the sale of such items to be exempted so long as such items are stored in a recognized depository facility. Further this measure provides for an income tax exemption beginning with tax year 2014, for the capital gain realized on the sale or exchange of gold or silver for another form of legal tender.

SALES TAX ANALYSIS

Based on Tax Commission sales tax remittance records, an estimated \$297,972 is attributable to sales of gold, silver, palladium or other bullion items in FY 12. The estimated decrease in sales tax collections for FY 14 (including projected growth rate adjustments¹ of 6.9% for FY 13 and 4.75% for FY 14) is \$333,662.

With an effective date of November 1, 2013, an estimated decrease in state sales tax collections of \$194,636 will occur in FY 14 and an estimated decrease in state sales tax collections of \$349,511 will occur in FY 15 (again applying a 4.75% inflation rate adjustment).

INCOME TAX ANALYSIS

Utah enacted a similar capital gain incentive and based on their estimate², 0.5% of all reported capital gains would occur from the sale or exchange of gold or silver. For this analysis, Oklahoma capital gain data was examined and averaged from 2005 through 2010³, resulting in an average of \$4.55 billion in Oklahoma capital gains. Assuming 0.5% will be from the sale of gold or silver, it is estimated there will be \$22,751,000 in gold or silver capital gains. Reducing this figure by the exclusion in 68 O.S. § 2358(F), results in approximately \$11.04 million in capital gains realized from the sale or exchange of gold or silver⁴.

The top individual income tax rate of 5.25% was applied with the expectation that most of these capital gains would fall in the highest tax bracket. This results in a potential income tax decrease of \$580,000. With the measure becoming effective for tax year 2014, the full impact should occur in FY15 when tax year 2014 income tax returns are filed.

Table 1 below shows the FY impact for both sales and income tax.

Table 1 – FY Estimates		
Component	FY14	FY15
Sales Tax	-\$195,000	-\$350,000
Income Tax	\$0	-\$580,000
Total	-\$195,000	-\$930,000

¹ Oklahoma Tax Commission – Revenue Estimates and Forecasts issued December 13, 2012.

² Email from Matthew Lund Utah State Tax Commission Economic and Statistical Unit

³ IRS, Statistics of Income Division, Individual Master File System.

⁴ The effect of this exemption was not estimated for corporate income tax. It is anticipated that there will be a minimal decrease in corporate income tax collections as a result of this exemption.