

MEMORANDUM

OKLAHOMA TAX COMMISSION
TAX POLICY AND RESEARCH

DATE: February 15, 2016

SUBJECT: SB 1394 - Committee Substitute (Req. No. 3118)

TO: Joe Gappa, Deputy Director

FROM: Michael C. Kaufmann, Tax Policy Analyst

The Committee Substitute for SB 1394 (Req. No. 3118) proposes to amend 69 O.S. § 1521 which relates to the Rebuilding Oklahoma Access and Driver Safety Fund (ROADS fund) by not allowing additional annual apportionment to this fund that would otherwise be apportioned to the General Revenue Fund from individual income tax collections. This measure further adds a trigger mechanism relating to individual income tax collections that are authorized to be apportioned to this fund.

Under current law, an amount equal to the prior fiscal year amount (plus an additional \$59,700,000) of individual income tax collections that would otherwise be apportioned to the General Revenue Fund are deposited in the Rebuilding Oklahoma Access and Driver Safety Fund (ROADS fund). The additional \$59,700,000 is added to the prior year amount until an annual maximum of \$575,000,000 is reached. It is expected that this maximum will be reached in FY18¹. There are currently no other limits to the deposit of individual income tax collections that would otherwise be apportioned to the General Revenue Fund into the ROADS fund.

This measure proposes to 1) not allow the additional annual apportionment of individual income tax collections that would otherwise be apportioned to the General Revenue Fund for FY17 and 2) only allow the incremental deposit of \$59,700,000 of individual income tax collections that would otherwise be apportioned to the General Revenue Fund to the ROADS fund if the State Board of Equalization makes a determination of General Revenue Fund growth of at least 4% from the preceding fiscal year at their February meetings.

FY17 Limit

The scheduled deposit to ROADS fund¹ from income tax collections for FY17 is \$531,200,000 which consists of \$471,500,000 based on FY16 and the additional \$59,700,000. **The FY17 limit proposed by this measure would increase apportionment to the General Revenue Fund by**

¹ State Board of Equalization Proposed FY-2017 Revenue Certification - Apportionment to ROADS Fund from Individual Income Tax (\$531,200,000) - Oklahoma Office of Management and Enterprise Services – December 21, 2015.

\$59,700,000 and decrease the amount apportioned to the ROADS fund by \$59,700,000 for FY17.

Trigger

The first State Board of Equalization meeting the proposed “trigger” would be determined is the February 2017 meeting. The State Board of Equalization would have to make a determination at that meeting that the FY18 General Revenue Fund estimate will exceed the revised FY 17 General Revenue Fund estimate. If the estimated growth in the General Revenue Fund from FY17 to FY18 is at least 4% then an amount equal to the prior fiscal year amount (plus an additional \$59,700,000) of individual income tax collections that would otherwise be apportioned to the General Revenue Fund can deposited in the ROADS fund. If the estimated growth in the General Revenue Fund from FY17 to FY18 is less than 4% the deposit is limited to the prior year deposit in the ROADS fund.

No estimate is made as to the trigger since it is unknown if the State Board of Equalization will find 4% growth in General Revenue Fund in the February 2017 meeting.