

OKLAHOMA TAX COMMISSION

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

DATE OF IMPACT STATEMENT: February 6, 2016

BILL NUMBER: SB 977 **STATUS AND DATE OF BILL:** Introduced 1/7/16

AUTHORS: House n/a Senate Mazzei

TAX TYPE (S): Income Tax **SUBJECT:** Credit

PROPOSAL: Amendatory

SB 977 amends a variety of income tax credits by providing for a moratorium on generating tax credits for events, transactions, investments or expenditures made from July 1, 2016 through June 30, 2018.

EFFECTIVE DATE: July 1, 2016 - Emergency

REVENUE IMPACT:

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

FY 17: Projected increase to income tax collections of \$4,281,000

FY 18: Projected increase to income tax collections of \$146,401,000

ADMINISTRATIVE IMPACT:

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

FY 17: -0-

Feb. 6, 2016
DATE

Rick Miller
DIVISION DIRECTOR

mck

2-6-16
DATE

Reece Womack
REECE WOMACK, ECONOMIST

2/6/16
DATE

Don Carr
FOR THE COMMISSION

ATTACHMENT TO FISCAL IMPACT - SB 977 [Introduced] Prepared: February 6, 2016

SB 977 amends a variety of income tax credits by providing for a moratorium on generating tax credits for events, transactions, investments or expenditures made from July 1, 2016 through June 30, 2018. In order to estimate the fiscal impact of this proposal, income tax data from tax years 2008 through 2014¹ was analyzed and an estimate of the average amount of each credit used to offset Oklahoma income tax annually was computed. The table below shows the credits subject to the moratorium and the potential fiscal impact:

Cite	Credit	FY17	FY18
68 O.S. § 2357	Child Care / Child Tax Credit ²	\$0	\$26,916,000
68 O.S. § 2357.4	Oklahoma Investment/New Jobs Credit ³	\$0	\$0
68 O.S. § 2357.11	Oklahoma Coal Production/Purchase	\$107,000	\$214,000
68 O.S. § 2357.22	Credit for Conversion of Motor Vehicles to Clean Burning Fuel	\$2,244,000	\$4,488,000
68 O.S. § 2357.27	Credit for Entities in the Business of Providing Child Care Services ⁴	\$0	\$0
68 O.S. § 235.29A	Natural Disaster Tax Credit	\$0	\$0
68 O.S. § 2357.32A	Credit for Electricity Generated by Zero-Emission Facilities ⁵	\$0	\$23,275,000
68 O.S. § 2357.41	Credit for Qualified Rehabilitation Expenditures ⁶	\$1,055,000	\$2,110,000
68 O.S. § 2357.43	Oklahoma Earned Income Credit ⁷	\$0	\$41,020,000
68 O.S. § 2357.45	Credit for Cancer Center Contribution	\$0	\$260,000
68 O.S. § 2357.45	Credit for Biomedical Research Contribution	\$0	\$608,000
68 O.S. § 2357.46	Credit for the Construction of Energy Efficient Homes ⁸	\$0	\$0
68 O.S. § 2357.47	Credit for Modification Expenses Paid for an Injured Employee ⁹	\$0	\$0
68 O.S. § 2357.104	Credit for Railroad Modernization	\$478,000	\$956,000
68 O.S. § 2357.206	Credit for Contributions to a Scholarship-Granting Organization	\$0	\$545,000
68 O.S. § 2357.206	Credit for Contributions to an Educational Improvement Grant Organization	\$0	\$0
68 O.S. § 2357.302	Aerospace Employer Credit for Tuition Reimbursement	\$200,000	\$400,000
68 O.S. § 2357.303	Aerospace Employer Credit for Compensation Paid <i>claimed with above</i>	\$0	\$0
68 O.S. § 2357.304	Aerospace Employee Credit	\$0	\$1,942,000
68 O.S. § 2357.401	Wire Transmitter Credit	\$197,000	\$394,000
68 O.S. § 2357.403	Affordable Housing Credit	\$0	\$4,000,000
68 O.S. § 2358.7	Volunteer Firefighter Credit	\$0	\$635,000
68 O.S. § 2370	Financial Institutions making Loans under Rural Economic Development Loan Act	\$0	\$0
68 O.S. § 2906	Low Income Property Tax Relief ¹⁰	\$0	\$73,000
68 O.S. § 5011	Low Income Sales Tax Relief ¹¹	\$0	\$38,565,000
	Total	\$4,281,000	\$146,401,000

¹2008-2013 Oklahoma Form 511 CR Data, *Oklahoma Tax Commission* or Tax Year 2014 Oklahoma Individual Income Tax Return Data. Generally, the average for 2008-2013 was used for all the credits with the exception of: 1) the Credit for Electricity Generated by Zero-Emission Facilities due to the volatility in the amount of this credit claimed. For this credit, preliminary tax year 2014 data was used. 2) In addition, an estimate of the tax year 2014 amount of credit used is the data source for the following credits: Child Care / Child Tax Credit; Disaster; Earned Income Credit; Credit for Cancer Center Contribution; Credit for Biomedical Research Contribution; Credit for Contributions to a Scholarship-Granting Organization; Credit for Contributions to an Educational Improvement Grant Organization; Volunteer Firefighter Credit; Low Income Property Tax Relief; and Low Income Sales Tax Relief

²This tax credit is set as a percentage of the allowable, similar federal tax credit (20% of the Child Care Tax Credit or 5% of the Child Tax Credit). The July 1, 2016 through June 30, 2018 moratorium would only affect tax year 2017 returns filed in 2018.

³The Oklahoma Investment/New Jobs Credit has significant amount of unused carryover. The moratorium proposed in this measure would not have any effect on income tax collections.

⁴The Credit for Entities in the Business of Providing Child Care Services could no longer be generated after December 31, 2016 under current law. The moratorium period for this credit is July 1, 2016 through December 31, 2016; with the credit then terminating December 31, 2016.

⁵Income tax return filing patterns suggests that most of the returns claiming this credit are filed on extension, typically on October 15. Therefore any tax year 2016 impact would occur after July 1, 2017 (FY18). Preliminary tax year 2014 data suggests that \$46.55 million dollars was used to reduce tax or refunded directly to the taxpayer at eighty-five percent (85%) of the face amount of the credit, with an additional \$40 million available for carryover. It is estimated that the proposed moratorium would reduce tax year 2016 credits by 50%.

⁶The Credit for Qualified Rehabilitation Expenditures estimate does not include any potential impact on the Premium Tax.

⁷This tax credit is set as a percentage of the allowable, similar federal tax credit (5% of the federal EITC). The July 1, 2016 through June 30,

2018 moratorium would only affect tax year 2017 returns filed in 2018.

⁸The Credit for the Construction of Energy Efficient Homes has significant amount of unused carryover. The moratorium proposed in this measure would not have any effect on income tax collections.

⁹The Credit for Modification Expenses Paid for an Injured Employee can no longer be generated after December 31, 2016 under current law.

¹⁰The July 1, 2016 through June 30, 2018 moratorium would only affect tax year 2017 returns filed in 2018.

¹¹The July 1, 2016 through June 30, 2018 moratorium would only affect tax year 2017 returns filed in 2018.