BILL SUMMARY
2nd Session of the 56th Legislature

Bill No.:	**HB 2152**
Version:	**Fa1-A1**
Request Number:	**10186**
Author:	**Rep. Inman**
Date:	**3/14/2018**
Impact:	**Tax Commission:**

Modified Itemized Deduction Cap:
Pending Microsimulation Modeling

Capital Gains:
FY-19: Revenue Gain of $120.5 Million

Gross Production:
Annual Revenue Gain of $341.0 Million
FY-19 Gain of $284.1 Million

Research Analysis

Amendment 1 to floor amendment 1 to HB2152 caps the amount of itemized deductions allowed for single filers at $12,500 and $25,000 for joint filers beginning tax year 2018. The amendment also strikes languages that provides for a capital gains deduction on qualified sales and restores the gross production tax rate to 7 percent for all oil and gas severed from lands within the state.

Prepared By: House Research Staff

Fiscal Analysis

The amendment to the amendment includes modifications to the cap on itemized deductions provided for in the amendment. The Tax Commission is attempting to complete the simulation modeling to provide a reliable revenue estimate.

The elimination of the capital gains exemption is expected to result in a revenue gain of approximately $120.5 million. From the Tax Commission (as part of the analysis for SB 1086):

For purposes of this analysis, Oklahoma capital gain deduction data for individual income tax filers[4] for tax years 2005 through 2015 was analyzed. It is estimated the average[5] annual tax expenditure is $120.5 million.

No changes in withholding or estimated tax payments are anticipated. An estimated revenue increase of $120.5 million is expected in FY19 when the 2018 income tax returns are filed.

[4] Data for corporate capital gain exclusions is not available. It is likely that the impact for corporations is relatively small.
5 The average estimate for the 10 year period was used since capital gains can fluctuate. The highest estimated expenditure year was tax year 2007 ($188.5 million) and the lowest was tax year 2009 ($47.5 million).

Based on prior analysis related to tax rate increases to four percent (4.0%), the annual increase in the gross production tax is expected to result in revenue gains of:

Natural Gas:	$142,240,000
Oil:	$198,180,000
TOTAL	$340,970,000

The FY-19 increase in the gross production tax is expected to result in revenue gains of:

Natural Gas:	$118,533,333
Oil:	$165,608,333
TOTAL	$284,141,667

The combined amount available for appropriation is approximately $264.0 million.

Prepared By: Mark Tygret

Other Considerations

None.