

BILL SUMMARY
1st Session of the 56th Legislature

Bill No.:	HB 2301
Version:	INT
Request Number:	5626
Author:	Mr. Speaker
Date:	2/13/2017
Impact:	Tax Commission:
	Revenue Decrease
	FY-18: \$4.24 Million
	FY-19: \$10.6 Million

Research Analysis

HB2301, as introduced, provides an income tax exemption for doctors that practice medicine in rural areas of the state. Any income directly related to the practice of medicine in a rural area would be exempt from taxable income for a qualifying doctor. To qualify, a doctor must have graduated from a medical school located in Oklahoma and must reside and practice medicine in a municipality that has a population of less than 25,000 and is at least 25 miles from the nearest municipality with a population over 25,000.

Prepared By: Quyen Do

Fiscal Analysis

Analysis from the Tax Commission:

HB 2301 proposes amend Section 2358 of Title 68, enacting an income tax exemption for physicians related to their income from the practice of medicine or osteopathic medicine in rural areas of Oklahoma effective for tax year 2018.

In order to qualify for the proposed exemption a doctor (medical doctor or osteopathic physician) must be licensed in this state, have graduated from a college of medicine or osteopathic medicine located in this state, and whose primary residence is located within the same county as the rural area where the compensation qualifying for exemption was earned¹. For purposes of the proposed exemption, rural area is defined as any municipality or unincorporated location in Oklahoma which has a population not exceeding twenty-five thousand (25,000)² as determined by the most recent Federal Decennial Census, and is at least twenty-five (25) miles from the nearest municipality with a population exceeding twenty-five thousand (25,000) as determined by the most recent Federal Decennial Census.

Taxpayers licensed under the Oklahoma Allopathic Medical and Surgical Licensure and Supervision Act

Based on data obtained from the Oklahoma State Board of Medical Licensure and Supervision, there are approximately 6,118 medical doctors (MD's) licensed and practicing in Oklahoma³. Of that number approximately 840 currently practice in a rural area with a population of less than twenty-five thousand (25,000)⁴. Assuming ten percent (10%) of the remaining 5,278 physicians establish residency and employment in a qualifying rural area, an additional 528 physicians would be eligible for the exemption.

Data from the Bureau of Labor Statistics indicates the average annual income of family and general practice physicians in Oklahoma was \$144,100 in 2015; pediatricians average annual income was \$190,730; and the average annual income for all other physicians and surgeons was \$217,930⁵. For purposes of this analysis an average of the physicians' salaries (\$184,253) is used. Assuming 645⁶ currently rural-practicing physicians plus an additional 528 new physicians will qualify for this exemption, with an average annual income of \$184,253, will result in 1,173 physicians exempting \$216,128,769 in income. Applying an effective income tax rate of 3.05% to the exempted income results in a decrease in income tax collections of \$6.59 million for tax year 2018.

Taxpayers licensed under the Oklahoma Osteopathic Medicine Act

Based on data obtained from the Oklahoma State Board of Osteopathic Examiners, there are approximately 2,337 osteopathic physicians licensed and practicing in Oklahoma⁷. Based on data provided, a preliminary analysis indicates up to 689 osteopathic physicians practice in a qualifying area. Assuming 551⁸ currently rural-practicing osteopathic physicians plus an additional 165 new osteopathic physicians will qualify for this exemption, with an average annual income of \$184,253, will result in 716 osteopathic physicians exempting \$131,925,148 in income. Applying an effective income tax rate of 3.05% to the exempted income results in a decrease in income tax collections of \$4.02 million for tax year 2018.

Revenue Impact:

The total impact for tax year 2018 is a projected decrease in income tax collections of \$10.6 million.

Changes to withholding or estimated tax as a result of this exemption are expected; therefore some impact would occur in FY18. A projected decrease in income tax collections of \$4.24 million should occur in FY18. For FY19 the estimated decrease in income tax collections would be \$10.6 million.

Prepared By: Mark Tygret

Other Considerations

None.