

# OKLAHOMA TAX COMMISSION

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

**DATE OF IMPACT STATEMENT:** March 19, 2018

**BILL NUMBER:** SB 1086 **STATUS AND DATE OF BILL:** Engrossed Bill 3/15/18

**AUTHORS:** House Sears Senate Rader

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

**PROPOSAL:** Amendatory

SB 1086 proposes to amend 68 O.S. § 2358 as it relates to the Oklahoma capital gain deduction for corporations and individuals by disallowing the deduction effective for tax year 2019 and subsequent tax years.

**EFFECTIVE DATE:** November 1, 2018

### REVENUE IMPACT:

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

FY 19: Projected increase in income tax collections of \$30.1 million.

FY 20: Projected increase in income tax collections of \$120.5 million.

### ADMINISTRATIVE IMPACT:

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

FY 19: None

Mar. 19, 2018  
DATE

Rick Miller  
DIVISION DIRECTOR

mck

3-20-2018  
DATE

Huan Gong for  
REECE WOMACK, ECONOMIST

3-20-18  
DATE

Jimmy Munt  
FOR THE COMMISSION

## ATTACHMENT TO FISCAL IMPACT - SB 1086[Engrossed] Prepared March 19, 2018

SB 1086 proposes to amend 68 O.S. § 2358 as it relates to the Oklahoma capital gain deduction for corporations and individuals by disallowing the deduction effective for tax year 2019 and subsequent tax years.

Under current law, both corporate<sup>1</sup> and individual<sup>2</sup> taxpayers are allowed to deduct from Oklahoma taxable income for corporations and adjusted gross income for individuals one hundred percent (100%) of Oklahoma source capital gains<sup>3</sup>, provided certain holding periods are met.

This measure proposes to amend both 68 O.S. § 2358 (D) and 68 O.S. § 2358 (F) by eliminating the Oklahoma capital gain deduction in these subsections effective for tax year 2019. This measure further requires that for tax year 2018 the transaction resulting in the capital gain must occur before July 1, 2018.

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

No changes in withholding or estimated tax payments are anticipated. An estimated increase in income tax revenue of \$30.1 million is expected for FY19 when the 2018 income tax returns are filed and an estimated increase in income tax revenue of \$120.5 million is expected for FY20 when the 2019 income tax returns are filed.

---

<sup>1</sup> 68 O.S. § 2358 (D) Corporate taxpayers also includes estates or trusts.

<sup>2</sup> 68 O.S. § 2358 (F)

<sup>3</sup> Oklahoma source capital gains generally means real or tangible personal property located in Oklahoma or the sale of stock or ownership interest in an Oklahoma company, limited liability company or partnership. Oklahoma company, limited liability company or partnership is an entity whose primary headquarters has been in Oklahoma at least three (3) uninterrupted years prior to the date of the transaction generating the capital gain.

<sup>4</sup> Data for corporate capital gain exclusions is not available. It is likely that the impact for corporations is relatively small.

<sup>5</sup> 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).