

OKLAHOMA TAX COMMISSION

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

DATE OF IMPACT STATEMENT: February 14, 2018

BILL NUMBER: SB 1086 **STATUS AND DATE OF BILL:** Introduced 1/17/18

AUTHORS: House n/a 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 2018 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 \$120.5 million

ADMINISTRATIVE IMPACT:

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

FY 19: None

Feb. 15, 2018
DATE

Rick Miller
DIVISION DIRECTOR

mck

2-15-18
DATE

Reece Womack
REECE WOMACK, ECONOMIST

2-15-18
DATE

Jim Mat
FOR THE COMMISSION

ATTACHMENT TO FISCAL IMPACT - SB 1086 [Introduced] Prepared February 14, 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 2018 and subsequent tax years.

Under current law, both corporate¹ and individual² 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 gains³, 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 2018.

For purposes of this analysis, Oklahoma capital gain deduction data for individual income tax filers⁴ for tax years 2005 through 2015 was analyzed. It is estimated the average⁵ 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.

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

² 68 O.S. § 2358 (F)

³ 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.

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).