

OKLAHOMA TAX COMMISSION

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

DATE OF IMPACT STATEMENT: February 8, 2017

BILL NUMBER: SB 126 STATUS AND DATE OF BILL: Introduced 1/11/17

AUTHORS: House n/a Senate Dossett

TAX TYPE (S): Income Tax SUBJECT: Exemption

PROPOSAL: Amendatory

SB 126 proposes to amend 68 O.S. § 2358(E)(18) which relates to the income tax exemption for retirement benefits received from any component of the Armed Forces of the United States effective for taxable years beginning after December 31, 2016.

EFFECTIVE DATE: November 1, 2017

REVENUE IMPACT:

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

FY 18: Projected decrease in income tax collections of \$5,282,000.

ADMINISTRATIVE IMPACT:

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

FY 18: -0-

Feb. 10, 2017
DATE

Rick Miller
DIVISION DIRECTOR

mck

2-10-17
DATE

Reece Womack
REECE WOMACK, ECONOMIST

2/10/17
DATE

Don Cas
FOR THE COMMISSION

ATTACHMENT TO FISCAL IMPACT - SB 126 [Introduced] Prepared February 8, 2017

SB 126 proposes to amend 68 O.S. § 2358(E)(18) which relates to the income tax exemption for retirement benefits received from any component of the Armed Forces of the United States effective for taxable years beginning after December 31, 2016.

Under current law, the greater of seventy five percent (75%) or Ten Thousand Dollars (\$10,000) of retirement benefits received from any component of the Armed Forces of the United States are exempt from Oklahoma income tax, to the extent that income is included in federal adjusted gross income.

This proposal increases the exemption amount to one hundred percent (100%), effective for tax year 2017. It is estimated an additional \$173.17 million of retirement benefits (income) would be exempt from Oklahoma income tax¹. Applying an effective income tax rate of 3.05% results in an estimated decrease in income tax collections of \$5.282 million for tax year 2017. No change to estimated tax or withholding is anticipated so the full impact should occur in FY18 when the 2017 income tax returns are filed.

¹ Analysis of Military Retirement Exemption Data - Oklahoma Tax Commission, Simple Statistics for Tax Year 2014. No growth was factored into this analysis.