

OKLAHOMA TAX COMMISSION

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

DATE OF IMPACT STATEMENT: January 26, 2017

BILL NUMBER: SB 130 STATUS AND DATE OF BILL: Introduced 1/11/17

AUTHORS: House n/a Senate Quinn

TAX TYPE (S): Income Tax SUBJECT: Tax Rate

PROPOSAL: Amendatory, New Law & Repealer

SB 130 proposes to nullify actions taken by the State Board of Equalization with respect to the provisions of 68 O.S. § 2355.1G (which provides a trigger mechanism to reduce the top marginal individual income tax rate to 4.85% contingent upon certain revenue growth). This measure further proposes to repeal 68 O.S. § 2355.1G and establish a new trigger mechanism that may reduce the top marginal individual income tax rate to 4.85%.

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 19: Unknown

ADMINISTRATIVE IMPACT:

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

FY 18: No additional cost or savings to the Tax Commission anticipated due to this proposed legislation.

Jan. 26, 2017
DATE

Rick Miller
DIVISION DIRECTOR

mck

1-26-17
DATE

Reece Womack
REECE WOMACK, ECONOMIST

1/27/17
DATE

Don Carr
FOR THE COMMISSION

ATTACHMENT TO FISCAL IMPACT - SB 130 [Introduced] Prepared January 26, 2017

SB 130 proposes to nullify actions taken by the State Board of Equalization with respect to the provisions of 68 O.S. § 2355.1G (which provides a trigger mechanism to reduce the top marginal individual income tax rate to 4.85% contingent upon certain revenue growth). This measure further proposes to repeal 68 O.S. § 2355.1G and establish a new trigger mechanism that may reduce the top marginal individual income tax rate to 4.85%.

CURRENT LAW:

The top marginal individual income tax rate of 5% went into effect for tax year 2016¹, with a trigger mechanism to lower the top marginal individual income tax rate to 4.85%. The State Board of Equalization made a finding at the December 2016 meeting that the Board anticipates a finding will be made at the February 2017 meeting that the estimated growth in General Revenue Collections for FY18 is less than the estimated cost of decreasing the top marginal individual income tax rate to 4.85% for tax year 2018. If the State Board of Equalization makes a finding at the February 2017 meeting that the estimated growth in General Revenue Collections for FY18 is less than the estimated cost of decreasing the top marginal individual income tax rate to 4.85% for tax year 2018, the income tax rate will remain at 5%.

PROPOSED LAW:

This measure would nullify actions taken by the State Board of Equalization with respect to the provisions of 68 O.S. § 2355.1G. This measure also repeals 68 O.S. § 2355.1G.

In addition, this measure proposes a new trigger mechanism to decrease the top marginal individual income tax rate from 5% to 4.85%. In order to trigger the 4.85% rate, the State Board of Equalization, at the December 2017 meeting, would have to make a preliminary finding that the Board anticipates a finding will be made at the February 2018 meeting that the “proposed expenditure authority”² for the next FY (FY19) is equal to or greater than the estimated cost of decreasing the top marginal individual income tax rate to 4.85% for tax year 2019, *plus* an amount equal to \$7.5 billion.

These procedures will be repeated at every December and February State Board of Equalization meeting until the top marginal individual income tax rate is 4.85%. Once that rate is achieved, the State Board of Equalization will no longer have to make the findings as outlined above.

REVENUE IMPACT:

Under current law, Oklahoma has a progressive individual income tax rate structure with the top marginal tax rate at 5.0% for tax year 2016 and 2017, then *potentially* 4.85% for subsequent tax years, contingent upon certain revenue growth. It is unknown whether the top marginal individual income tax rate will be reduced for tax year 2018.

Based upon the uncertainty at this time as to when the 4.85% top marginal individual income tax rate will take effect, the estimated revenue impact is unknown.

¹ Finding of the State Board of Equalization – December 18, 2014; *State Board of Equalization Proposed FY-2016 Revenue Certification* - Oklahoma Office of Management and Enterprise Services.

² “Proposed expenditure authority” is defined as the amount available for the Legislature to spend in a given fiscal year, which includes estimated amounts from certified funds subject to the ninety-five percent (95%) limit provided for in Section 23 of Article X of the Oklahoma Constitution and cash available in those funds from any prior years, and estimated amounts from the Special Cash Fund, Commissioners of the Land Office Fund, Oklahoma Education Lottery Trust Fund, Common Education Technology Revolving Fund, Oklahoma Student Aid Revolving Fund, Higher Education Capital Revolving Fund, Education Reform Revolving Fund, Tobacco Settlement Fund, State Judicial Revolving Fund and State Transportation Fund and cash available in those funds from any prior years.