

# OKLAHOMA TAX COMMISSION

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

**DATE OF IMPACT STATEMENT:** February 8, 2018

**BILL NUMBER:** SB 1384 **STATUS AND DATE OF BILL:** Introduced 1/18/18

**AUTHORS:** House n/a Senate Daniels

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

**PROPOSAL:** Amendatory

SB 1384 proposes to amend the Oklahoma Equal Opportunity Education Scholarship Act (68 O.S. § 2357.206). This measure proposes to increase the annual credit cap for contributions to both eligible scholarship-granting organizations and educational improvement grant organizations beginning with tax year 2018.

**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: Potential decrease in income tax collections of \$10 million

FY 20: Potential decrease in income tax collections of \$3.75 million

### ADMINISTRATIVE IMPACT:

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

FY 19: None

Feb. 10, 2018  
DATE

2-10-18  
DATE

2-10-18  
DATE

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DIVISION DIRECTOR

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FOR THE COMMISSION

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## **Attachment to Fiscal Impact - SB 1384 [Introduced] Prepared February 8,, 2018**

SB 1384 proposes to amend the Oklahoma Equal Opportunity Education Scholarship Act (68 O.S. § 2357.206). This measure proposes to increase the annual credit cap for contributions to both eligible scholarship-granting organizations and educational improvement grant organizations beginning with tax year 2018.

### **Current Law:**

Under current law, an income tax credit is allowed for contributions to an eligible scholarship-granting organization and an eligible educational improvement grant organization. The credit is generally 50%<sup>1</sup> of the amount contributed, not to exceed \$1,000 for an individual (\$2,000 for a married filing joint return) or \$100,000 for a legal business entity. Tax credits which are allocated to an individual(s) by a pass-through entity are limited based on the total credit limitation of the pass-through entity and not by \$1,000 (or \$2,000) limitation for individuals. The credit may be carried over for three (3) succeeding taxable years.

The aggregate credits cannot exceed \$3.5 million annually for donations to an eligible scholarship-granting organization and \$1.5 million annually for donations to an educational improvement grant organization.<sup>2</sup> If total combined credits claimed for contributions to one organization exceed the cap for that organization, credits not claimed for the other organization may be allocated to the first organization, but no more than \$5 million in total credits may be claimed annually. If the Tax Commission determines the total combined credits claimed for contributions to both eligible scholarship-granting organizations and eligible educational improvement grant organizations exceed \$5 million, the Tax Commission shall determine the percentage of the contribution which establishes the proportionate share of the credit which may be claimed by any taxpayer so that the maximum credits authorized are not exceeded.

### **Proposed Law:**

- This measure proposes to increase the annual credit cap for contributions to eligible scholarship-granting organizations from \$3.5 million to \$10 million beginning with tax year 2018. If the total credits issued pursuant to contributions to eligible scholarship-granting organizations are equal to or exceed eighty-five percent (85%) of the authorized total credits, the authorized total credits in the subsequent tax year shall increase by twenty-five percent (25%) and shall establish the new total credits authorized.
- Also, this measure proposes to increase the annual credit cap for contributions to eligible educational improvement grant organizations from \$1.5 million to \$5 million beginning with tax year 2018. If the total credits issued pursuant to contributions to eligible educational improvement grant organizations are equal to or exceed eighty-five percent (85%) of the authorized total credits, the authorized total credits in the subsequent tax year shall increase by twenty-five percent (25%) and shall establish the new total credits authorized.
- This measure amends the spending requirement for scholarship-granting organizations, requiring them to annually spend at least fifty percent (50%) of its total expenditures on educational scholarships for scholarships to low-income eligible students.

This measure allows an additional \$10 million in credits to be generated in 2018, and an additional 25% each year thereafter if contributions are equal to or exceed 85% of the authorized total credits the immediate preceding tax year. The potential impact for 2018 is \$10 million, for 2019 is \$3.75

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<sup>1</sup> Taxpayers who make an eligible contribution and make a written commitment to contribute the same amount for an additional year, the credit will be 75% of the amount of the contributions for each year.

<sup>2</sup> The Tax Commission has determined that for tax year 2017, the total combined credits claimed (\$5.7 million) for contributions made to scholarship-granting organizations and educational improvement grant organizations by all taxpayers are in excess of the statewide caps.

million (\$15 million x 25%), and for each year thereafter a potential additional 25% of the total credits of the immediate preceding tax year. No changes to withholding or estimated tax are expected; therefore, a potential decrease in income tax collections of \$10 million may occur in FY19 when the 2018 income tax returns are filed, and a potential decrease in income tax collections of \$3.75 million may occur in FY20. If certain conditions are met<sup>3</sup> the cap will increase every year, resulting in a decrease in income tax collections each year.

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<sup>3</sup> If the total credits issued pursuant to contributions to eligible scholarship-granting organizations are equal to or exceed eighty-five percent (85%) of the authorized total credits, the authorized total credits in the subsequent tax year shall increase by twenty-five percent (25%) and shall establish the new total credits authorized. If the total credits issued pursuant to contributions to eligible educational improvement grant organizations are equal to or exceed eighty-five percent (85%) of the authorized total credits, the authorized total credits in the subsequent tax year shall increase by twenty-five percent (25%) and shall establish the new total credits authorized.