

MEMORANDUM

OKLAHOMA TAX COMMISSION
TAX POLICY AND RESEARCH

DATE: February 17, 2017

SUBJECT: SB 170 Committee Substitute

TO: Joe Gappa, Deputy Director

FROM: Michael C. Kaufmann, Tax Policy Analyst *KK*

The Committee Substitute for SB 170 proposes to nullify actions taken by the State Board of Equalization with respect to the provisions of 68 O.S. § 2355.1G and repeal 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).

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 and repeal 68 O.S. § 2355.1G.

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.

This measure 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) and repeal 68 O.S. §2355.1G. The top marginal income tax rate will remain at 5.0%; therefore, the estimated revenue impact for FY18 is zero as a result of this measure.

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.