

# OKLAHOMA TAX COMMISSION

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

**DATE OF IMPACT STATEMENT:** February 11, 2017

**BILL NUMBER:** SB 302 **STATUS AND DATE OF BILL:** Introduced 1/18/17

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

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

**PROPOSAL:** Amendatory

SB 302 proposes to amend 68 O.S. § 2358 by allowing for an exemption of any salary or compensation received by a taxpayer for full-time employment by a school district in this state for each position defined pursuant to 70 O.S. § 1-116 of the Oklahoma Statutes, but not to include superintendent or superintendent of schools. The exemption is only available for employees under contract in a public school serving children from prekindergarten through grade twelve. This exemption is effective for tax year 2018 and subsequent tax years.

**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 \$24.3 million.

FY 19: Projected decrease in income tax collections of \$60.8 million.

### ADMINISTRATIVE IMPACT:

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

FY 18: None

Feb. 11, 2017  
DATE

Rich Miller  
DIVISION DIRECTOR

mck

2-11-17  
DATE

Reece Womack  
REECE WOMACK, ECONOMIST

2/12/17  
DATE

Don Cas  
FOR THE COMMISSION

## ATTACHMENT TO FISCAL IMPACT - SB 302 [Introduced] Prepared: February 11, 2017

SB 302 proposes to amend 68 O.S. § 2358 by allowing for an exemption of any salary or compensation received by a taxpayer for full-time employment by a school district in this state for each position defined pursuant to 70 O.S. § 1-116 of the Oklahoma Statutes<sup>1</sup>, but not to include superintendent or superintendent of schools. The exemption is only available for employees under contract in a public school serving children from prekindergarten through grade twelve. This exemption is effective for tax year 2018 and subsequent tax years.

Under current law, no additional exemption for salary or compensation received by a taxpayer for full-time employment by a public school district in this state exists.

Data obtained from the Oklahoma State Department of Education<sup>2</sup> indicated that 49,805 full time equivalent employees would be able to exempt \$1.993 billion in income to calculate Oklahoma taxable income. Applying an effective income tax rate of 3.05% to the exempted income results in a decrease in income tax collections of \$60.8 million for tax year 2018.

It is expected that changes to withholding and estimated tax payments would occur, resulting in a decrease in income tax collections in FY18 of \$24.3 million. The full impact will occur in FY19, with a decrease in income tax collections of \$60.8 million.

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<sup>1</sup> Positions eligible for the proposed exemption include teachers, principals, resident teachers, student teachers, school nurses, and support employees. Superintendents not eligible for the exclusion are only the executive officer of the board of education and the administrative head of the school system of a district maintaining an accredited school. Positions classified Assistant Superintendent are eligible for the proposed exemption.

<sup>2</sup> Oklahoma State Department of Education - Accreditation Standards and School Personnel Records Division - 2016-2017 Certified Personnel Report on Professional Staff Distribution by Job