

OKLAHOMA TAX COMMISSION

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

DATE OF IMPACT STATEMENT: February 20, 2017

BILL NUMBER: SB 445 **STATUS AND DATE OF BILL:** Introduced 1/19/17

AUTHORS: House n/a Senate Newhouse

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

PROPOSAL: Amendatory

SB 445 proposes to amend 68 O.S. § 2357.206 which relates to the Credit for Contributions to a Scholarship-Granting Organization / Credit for Contributions to an Educational Improvement Grant Organization. This measure proposes to modify the allocation of the annual cap, allow for the carryover of capped credits, and extend the carryover period from three (3) years to five (5) 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: -0-

FY 19: -0-

ADMINISTRATIVE IMPACT:

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

FY 18: None

Feb. 20, 2017

DATE

Rich Miller

DIVISION DIRECTOR

mck

2-21-17

DATE

Reece Womack

REECE WOMACK, ECONOMIST

2/21/17

DATE

Don Carr

FOR THE COMMISSION

ATTACHMENT TO FISCAL IMPACT - SB 445 [Introduced] Prepared February 20, 2017

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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%¹ 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 organization².

PROPOSED LAW

- This measure proposes to modify the allocation of the annual cap. Effective for tax year 2017 and subsequent tax years, 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.
- Beginning for tax year 2016, credits earned, but not allowed due to the application of statewide caps will be considered suspended and may be used in the next immediate tax year and applied to the next year's statewide cap.³
- The carryover of unused credits is also extended from the current three (3) years to five (5) years.

¹ 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.

² The Tax Commission has determined that for tax year 2016, the cap will not be exceeded and no adjustment to the credit percentages is required.

³ The suspension, potential carryover of credit and application against future caps are potentially problematic administratively.