

BILL SUMMARY
2nd Session of the 57th Legislature

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| Bill No.: | HB 3385 |
| Version: | INT |
| Request Number: | 9104 |
| Author: | Rep. Dunnington |
| Date: | 2/13/2020 |
| Impact: | Tax Commission: |
| | Revenue Decrease |
| | FY-21: \$0 |
| | FY-22: (\$45.7 Million) |

Research Analysis

HB3385, an introduced, doubles, from \$40 to \$80, the amount that may be claimed by a taxpayer pursuant to the Sales Tax Relief Act and expands eligibility for the relief to full time residents that meet certain income, age or disability status beginning tax year 2021. The relief amount for these proposed taxpayers is 50% of the statutory relief amount.

The measure also ties the statutory sales tax relief amount to the CPI-U inflation index by requiring the amount to be adjusted when the Bureau of Labor Statistics announces increases in the index.

Prepared By: Quyen Do

Fiscal Analysis

Analysis provided by the Tax Commission:

Under current law, individual income taxpayers domiciled in this state during the entire calendar year and whose gross household income does not exceed \$20,000 for individuals and \$50,000 for those who claim a dependent, are at least 65 years old or have a physical disability constituting a substantial handicap to employment may file a claim for sales tax relief. This relief is in the form of a refundable income tax credit in the amount \$40 per qualified exemption¹.

This measure proposes to:

- Increase the existing credit from \$40 to \$80.
- Allow certain taxpayers to file a claim for fifty percent (50%) of the amount of sales tax relief:
 - Taxpayers claiming no allowable personal exemption (other than the allowable personal exemption for that individual or the spouse of that individual) with a gross household income that is greater \$20,000 and less than \$30,000.
 - Taxpayers with a gross household income that is greater than \$50,000 and less than \$60,000 and:
 - i. Claiming one or more allowable personal exemptions (other than the allowable personal exemption for that individual or the spouse of that individual), or
 - ii. With a physical disability constituting a substantial handicap to employment, or
 - iii. Who is sixty-five (65) years of age or older at the close of the tax year.
- Index the income limitations based on any annual increase in the Consumer Price Index for all Urban Consumers (CPIU) produced by the Bureau of Labor Statistics of the United States Department of Labor².

To estimate the potential revenue effect of this proposal, the Oklahoma Individual Income tax Micro Simulation model was used to estimate increasing the credit to \$80 for taxpayers who qualify for the credit under current law, and estimate the number of returns and number of exemptions that would be eligible for the reduced credit. For tax year 2021, the estimate is a decrease in income tax collections of \$45.7 million. No changes to withholding or estimated tax payments are anticipated so the full impact of \$45.7 million should occur in FY22 when the 2021 income tax returns are filed.

¹ For tax year 2017, Oklahoma income tax data shows 430,061 income tax returns claimed \$36.4 million in Sales Tax Relief Credit.

² There is no guidance on how to index the income ranges for changes to the Consumer Price Index for all Urban Consumers (CPIU). It is assumed that increases to the CPIU would result in a minor expansion of the income ranges eligible for the full or reduced credit and would have a minor impact on income tax collections.

Prepared By: Mark Tygret

Other Considerations

The claim amount of \$40.00 was set in 1990 (HB 1857).