

**BILL SUMMARY**  
1<sup>st</sup> Session of the 57<sup>th</sup> Legislature

<b>Bill No.:</b>	<b>SB 746</b>
<b>Version:</b>	<b>FA3</b>
<b>Request Number:</b>	<b>8863</b>
<b>Author:</b>	<b>Mr. Speaker</b>
<b>Date:</b>	<b>4/23/2019</b>
<b>Impact:</b>	<b>Prior Analysis</b>
	<b><u>Subject to Tax Commission Update</u></b>
	<b>FY-20: \$4.4 Million Revenue Decrease</b>
	<b>FY-21: \$11.0 Million Revenue Decrease</b>

**Research Analysis**

Pending

Prepared By: House Research Staff

**Fiscal Analysis**

**The Tax Commission is in the process of providing an updated estimate, however a similar provision resulted in the following analysis:**

Based on data obtained from the Oklahoma State Board of Medical Licensure and Supervision, there are approximately 6,118 medical doctors licensed and practicing in Oklahoma<sup>5</sup>. Of that number approximately 808 currently practice in a rural area with a population of less than twenty-five thousand (25,000)<sup>6</sup>. Assuming ten percent (10%) of the remaining 5,310 physicians establish residency and employment in a qualifying rural area, an additional 531 physicians would be eligible for the credit.

Based on data obtained from the Oklahoma State Board of Osteopathic Examiners, there are approximately 2,458 osteopathic physicians licensed and practicing in Oklahoma<sup>7</sup>. Based on data provided, a preliminary analysis indicates up to 689 osteopathic physicians practice in a qualifying area. Assuming ten percent (10%) of the remaining 1,769 physicians establish residency and employment in a qualifying rural area, an additional 177 osteopathic physicians would be eligible for the credit.

Data from the Bureau of Labor Statistics indicates the average annual income of doctors licensed and practicing in Oklahoma was \$190,135 in 2018.<sup>8</sup> Applying an effective income tax rate of 3.05% to the average annual salary results in an estimated Oklahoma income tax liability of \$5,799 per qualifying physician.<sup>9</sup>

Assuming 1,177<sup>10</sup> medical doctors and 728<sup>11</sup> osteopathic physicians will qualify for the credit results in an \$11 million decrease in income tax collections for tax year 2020.

***Revenue Impact:***

The impact for tax year 2020 is a projected decrease in income tax collections of \$11 million. The impact for tax year 2021 would also be \$11 million (assuming no additional doctors qualify for the credit). For tax years 2022 and 2023, no credits will be allowed due to the \$1 million cap.

Changes to withholding or estimated tax as a result of this credit are expected; therefore some impact would occur in FY20. A projected decrease in income tax collections of \$4.4 million should occur in FY20. For FY21 the estimated decrease in income tax collections would be \$11 million.

<sup>5</sup> Oklahoma State Board of Medical Licensure and Supervision *Report of Distribution of Medical Doctors, by County*. [www http://www.okmedicalboard.org/public\\_resources](http://www.okmedicalboard.org/public_resources).

<sup>6</sup> Oklahoma State Board of Medical Licensure and Supervision *Active MDs practicing in Rural Areas of Oklahoma*. [www http://www.okmedicalboard.org/public\\_resources](http://www.okmedicalboard.org/public_resources)

<sup>7</sup> Oklahoma Osteopathic Board of Examiners – *Physician Directory 2-10-17*

<sup>8</sup> Bureau of Labor Statistics *May 2018 State Occupational Employment and Wage Estimates - Oklahoma*

These occupational employment and wage estimates are calculated with data collected from employers in all industry sectors in metropolitan and nonmetropolitan areas in Oklahoma [https://www.bls.gov/oes/current/oes\\_ok.htm#29-0000](https://www.bls.gov/oes/current/oes_ok.htm#29-0000)

<sup>9</sup> The proposed credit will absorb all the tax; therefore, the estimated revenue decrease is calculated by multiplying the foregone tax times the number of eligible doctors [1,905 times \$5,799 = \$11,047,000]. In order to take advantage of the full \$25,000 income tax credit, a qualifying physician's taxable annual income would need to equal or exceed \$500,000.

<sup>10</sup> Physicians practicing in Owasso were included in the report from the Oklahoma State Board of Medical Licensure and Supervision. They have been removed due to Owasso's population is in excess of 25,000. The existing number of rural physicians has been reduced by 20% to account for not qualifying based on location of medical school graduation or proximity to municipalities.

<sup>11</sup> The estimated number of existing rural physicians has been reduced by 20% to account for not qualifying based on location of medical school graduation or proximity to municipalities.

Prepared By: Mark Tygret

**Other Considerations**

None.