

OKLAHOMA TAX COMMISSION

REVENUE IMPACT STATEMENT SECOND REGULAR SESSION, FIFTY-SEVENTH OKLAHOMA LEGISLATURE

DATE OF IMPACT STATEMENT: March 5, 2020

BILL NUMBER: HB 3068 STATUS AND DATE OF BILL: Engrossed 3/3/2020

AUTHORS: House Kiger Senate Pemberton

TAX TYPE (S): Income Tax SUBJECT: Administrative

PROPOSAL: Amendatory

Engrossed HB 3068 amends 68 O.S. Section 238.2 which provides for the collection of income taxes due to the State of Oklahoma by state employees. Under current law, if a state agency receives a notification with respect to a state employee who has failed to come into compliance with Oklahoma income tax laws, and the notification is the employee's third notification as a state employee, the employee may be terminated by the state agency. This measure provides that a state employee can no longer be terminated for failure to pay income taxes; the employee's wages will be garnished until such time as the employee is in compliance with the state's income tax laws.

EFFECTIVE DATE: November 1, 2020

REVENUE IMPACT:

Insert dollar amount (plus or minus) of the expected change in state revenues due to this proposed legislation.

FY 21: Potential increase in income tax collections.

FY 22: Potential increase in income tax collections.

ADMINISTRATIVE IMPACT:

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

FY 21: \$240,000 in annual administrative costs.

Mar. 6, 2020
DATE

Rick Miller
DIVISION DIRECTOR

lrh

3/6/2020
DATE

Huan Gong
HUAN GONG, ECONOMIST

3/9/2020
DATE

[Signature]
FOR THE COMMISSION

The revenue impact provided herein is an estimate of the potential impact on the collection or apportionment of tax revenues affected by the proposed legislation. It is not intended to be an estimate of the overall fiscal impact on the state budget if the proposed legislation is enacted.

ATTACHMENT TO REVENUE IMPACT: HB 3068 [Engrossed] 3/5/2020

Engrossed HB 3068 amends 68 O.S. Section 238.2 which provides for the collection of income taxes due to the State of Oklahoma by state employees.

Under current law, The Office of Management and Enterprise Services provides a list of all state employees to the Tax Commission in August of every year. By November 1 each year, the Tax Commission must notify any state employee who is not in compliance with the income tax laws of this state. The Tax Commission must provide such notice to state employees at least six months prior to notification of noncompliance to the state agency

If the Tax Commission notifies a state employee who is not in compliance with Oklahoma's income tax laws and the employee does not respond or fails to come into compliance after an assessment has been made final or after the Tax Commission determines that every reasonable effort has been made to assist the state employee to come into compliance, the Tax Commission will notify the appointing authority¹, which shall commence disciplinary action with respect to the state employee and shall notify the state employee of the reason for such action.

If a state agency receives a notification with respect to a state employee who has failed to come into compliance with Oklahoma income tax laws, and it is the employee's third occurrence as a state employee, the employee may be terminated by the state agency. State employees who fail to come into compliance with Oklahoma income tax laws will be billed for the tax balance plus penalty and interest. If the employee is unable to resolve the account during the billing process or enter into a suitable payment arrangement with the Tax Commission, the account will be referred to a collection agency.

This measure provides that a state employee can no longer be terminated for failure to pay income taxes; the employee's wages will be garnished until such time as the employee is in compliance with the state's income tax laws.² The employee's wages are subject to garnishment when the employee has failed to come into compliance after three occurrences (three years).

Oklahoma Tax Commission data shows that in 2019, 796 state employees received a third notice of noncompliance from the Tax Commission and did not come into compliance. The average employee salary for the State of Oklahoma in 2018 was \$47,615.³ Applying the effective Oklahoma tax rate of 3.05% to the average wage results in \$1,452 in income tax per person; total wages of \$1,155,792 are potentially subject to wage garnishment under this measure.

To initiate continuing wage garnishment proceedings in an additional 800 cases annually, it is anticipated that three additional FTEs will be needed in the Tax Commission's General Counsel's office: two attorneys and one legal secretary at an annual estimated cost of \$230,000. Potential travel and miscellaneous expenses related to court appearances is expected to cost an additional \$10,000.

¹ "Appointing authority" means the chief administrative officer of a state agency.

² The state employee may file with the court an application requesting a hearing to be exempt from garnishment by reason of undue hardship that a portion of the state employee's wages are necessary for the maintenance of a family or other dependents supported wholly or partially by the labor of the state employee. (31 O.S. § 1.1)

³ Oklahoma Employee Salaries 2015-2018 <https://openpayrolls.com/state/oklahoma>