

BILL SUMMARY
1st Session of the 58th Legislature

Bill No.:	HB 2089
Version:	INT
Request Number:	72112
Author:	Mr. Speaker
Date:	2/9/2021
Impact:	Tax Commission:

**FY-22: Unable to Accurately Estimate
Impact to Revenue**

Research Analysis

HB 2089 provides a tax credit for income from compensation directly related to the practice of medicine or osteopathic medicine by a qualifying doctor in a rural area of the state. The credit shall not exceed \$25,000 in any year, shall not reduce the tax liability of the taxpayer to less than zero, and shall not be allowed for any taxable year following a year when the Oklahoma Tax Commission calculates an estimate of the cumulative total credits claimed in excess of \$1 million. A qualifying doctor who first claims the credit shall be allowed the credit for up to four subsequent years so long as they remain qualified.

The measure defines *qualifying doctor* as a medical doctor or osteopathic physician:

- who is licensed in Oklahoma on, after, or at any time within the two years prior to January 1, 2022, but not earlier than January 1, 2020;
- who has graduated from a college of medicine or has completed residency in Oklahoma; and
- whose primary residence is located in the same county as the qualifying rural area or within the jurisdiction of a federally recognized tribe and is directly employed by a tribally owned or operated health facility or federal Indian Health Service facility.

The measure defines *rural area* as a municipality or unincorporated location that has a population not exceeding 25,000, as determined by the most recent federal census, and is at least 25 miles from the boundary of the nearest municipality in Oklahoma with a population exceeding 25,000.

Prepared By: Emily McPherson

Fiscal Analysis

From the Tax Commission:

HB 2089 proposes to enact an income tax credit of up to \$25,000 annually for physicians related to their income from the practice of medicine or osteopathic medicine in rural areas of Oklahoma beginning with tax year 2022.

In order to qualify for the tax credit, a doctor (medical doctor or osteopathic physician) must be licensed in this state¹, either on or after the effective date of this measure or at any time within the period 2 years prior to the effective date of this act, but not earlier than January 1, 2020, have graduated from a college of medicine or osteopathic medicine located in this state or have completed his or her residency in this state, and have a primary residence located within the same county as the rural area where the compensation qualifying for the credit was earned or whose primary residence is located within the jurisdiction of a federally recognized tribe and is directly employed by a tribally owned or operated health facility or federal Indian Health Service facility.² The qualifying doctor must maintain the primary residence either within the county or within the jurisdiction of the federally recognized tribe for the entire taxable year.

The credit is available for a period of 5 years.³ For purposes of the proposed credit, rural area is defined as *any municipality or unincorporated location in Oklahoma which has a population not exceeding 25,000⁴ as determined by the most recent Federal Decennial Census, and is at least 25 miles from the boundary of the nearest municipality in Oklahoma with a population exceeding 25,000 as determined by the most recent Federal Decennial Census.* This credit will not be available or claimed for any taxable year following the year when the Oklahoma Tax Commission calculates an estimate of the cumulative total of taxes forgone is in excess of \$1 million.⁵

Revenue Impact:

Based on the data available, it is difficult to estimate the number of physicians that will qualify for the proposed credit. Changes to withholding or estimated tax payments are expected; therefore, an unknown decrease in income tax revenue would occur in FY22.⁶

¹ It is unclear if a doctor that renews a license after the effective date of this act could become eligible for the tax credit.

² This measure does not require doctors eligible for this credit to be new to the rural area. This income tax credit is available to those already meeting the qualifications.

³ If the Tax Commission determines the cumulative total credits claimed for a taxable year exceed \$1 million, no tax credits will be allowed the following year, resulting in taxpayers potentially not receiving the credit for all 5 years.

⁴ Oklahoma City, Tulsa, Norman, Broken Arrow, Lawton, Edmond, Moore, Midwest City, Enid, Stillwater, Muskogee, Bartlesville, Shawnee, Owasso, and Ponca City are the only municipalities in Oklahoma with population greater than 25,000. Source: 2010 Census Redistricting Data (Public Law 94-171) Summary File.

⁵ The effect of the cap is each year every qualifying taxpayer will get the tax credit, or none of the qualifying taxpayers will get the tax credit.

⁶ This measure proposes to cap the credits at \$1 million beginning with tax year 2022, but there is no mechanism to cap the credit for tax year 2022. Tax year 2022 returns are due in April 2023 and can be filed as late as October 2023, so the Oklahoma Tax Commission could not determine if the cap is exceeded until well into calendar year 2023. This would create uncertainty as to the availability of the credit for tax year 2023.

Prepared By: Mark Tygret

Other Considerations

None.