

**BILL SUMMARY**  
2<sup>nd</sup> Session of the 58<sup>th</sup> Legislature

<b>Bill No.:</b>	<b>HB 3136</b>
<b>Version:</b>	<b>INT</b>
<b>Request Number:</b>	<b>8476</b>
<b>Author:</b>	<b>Rep. Kendrix</b>
<b>Date:</b>	<b>2/9/2022</b>
<b>Impact:</b>	<b>Tax Commission:</b>

**Revenue Decrease:**  
**FY-23: (\$14,400,000)**  
**FY-24: (\$22,500,000)**

**Unknown Anticipated Administrative Costs**

**Research Analysis**

HB3136, as introduced, modifies the interest rate assessed on delinquent taxes, tax deficiencies and underpayment of estimated tax payments to equal the quarterly IRS interest rate for unpaid taxes. The interest rate is determined quarterly and is the federal short-term rate plus 3 percent. Currently, the state interest rate for delinquent taxes and tax deficiencies is 1.25 percent per month or 15 percent annualized. The current underpayment interest rate is 20 percent annualized.

The modified interest rates would be applicable to new and existing delinquencies as of November 1, 2022.

Prepared By: Quyen Do

**Fiscal Analysis**

Analysis provided by the Tax Commission:

HB 3136 proposes to amend 68 O.S. §§ 217 and 2385.13, which relate to interest assessed on delinquent state tax and on underpayments of estimated tax, respectively. The proposal amends the interest rates to equal the quarterly rate calculated using Section 6621 of Title 26 of the United States Code. This interest rate applies to all delinquencies in existence or occurring on or after November 1, 2022.

For the calendar quarter beginning January 1, 2022, the IRS interest rates are 3% for underpayments and 5% for large corporate underpayments.<sup>1</sup> Currently, interest is assessed at 1.25% per month (15% annualized) for delinquent state tax and at 20% per year for underpayments of estimated tax for the period of underpayment. Using Oklahoma Tax Commission (OTC) records, the decrease in income tax revenue as a result of this proposal is estimated as follows:

Interest Assessed For:	FY 21 Interest Collected	Estimated Collection at Proposed Rates	Estimated Impact (Decrease)
Delinquent Interest	\$ 22,538,000	\$ 4,507,600	\$ (18,030,400)
Underpayment Penalty	\$ 5,284,000	\$ 792,600	\$ (4,491,400)
<b>Total</b>			<u>\$ (22,521,800)</u>

Based on these estimates, the potential revenue impact of the proposal is a decrease in revenue of approximately \$22.5 million per year.<sup>2</sup> A partial impact of approximately \$14.4 million in reduced revenue is expected for FY 23,<sup>3</sup> and the full impact of \$22.5 million in reduced revenue is expected for FY 24.

In addition, an unknown increase in administrative costs to the OTC is expected for quarterly programming and reporting changes to the income tax remittance system.

<sup>1</sup> See <https://www.irs.gov/newsroom/interest-rates-remain-the-same-for-the-first-quarter-of-2022#:~:text=0.5%25%20for%20the%20portion%20of,5%25%20for%20large%20corporate%20underpayments.>

<sup>2</sup> This impact does not factor any potential increase in delinquent taxes or deficiencies as a result of lower interest rates.

<sup>3</sup> Given the November 1, 2022, effective date of the proposal, a partial impact is expected for FY 23.

Prepared By: Mark Tygret

### **Other Considerations**

None.