

BILL SUMMARY
2nd Session of the 58th Legislature

Bill No.:	HB 3351
Version:	INT
Request Number:	10160
Author:	Mr. Speaker
Date:	2/8/2022
Impact:	Tax Commission:

Impact on Income Tax Revenue:
FY-23: \$0
FY-24: Unknown Impact

Research Analysis

HB3351, as introduced, creates an income tax credit for direct donations made by a parent to their children's classroom teacher. The credit may be claimed beginning tax year 2023, is limited to \$1000 per child per year and is limited to a \$5 million annual cap. The measure also directs the Oklahoma Tax Commission, in consultation with the Oklahoma State Department of Education, to promulgate rules to administer the credit, which must include a process for a parent to make the donations anonymously.

Prepared By: Quyen Do

Fiscal Analysis

Analysis as provided by the Tax Commission:

HB 3351 proposes to enact a new income tax credit for 100% of the total amount of monetary donations made by a parent directly to his or her child's¹ classroom teacher during a taxable year. Effective for tax year 2023 and subsequent years, a credit of up to \$1,000 may be claimed per child per taxable year. Unused credits may be carried forward for three subsequent tax years.

Total annual credits are limited to \$5 million. If total credit exceed \$5 million in any calendar year, the Oklahoma Tax Commission (OTC) will permit any excess over \$5 million but will factor such excess into the percentage adjustment formula for subsequent years. The OTC will annually calculate and publish by the first day of the affected year the percentage by which the credits will be reduced so the total annual amount of credits used to offset tax does not exceed \$5 million. The formula used for the percentage adjustment is \$5 million divided by the credits claimed in the second preceding tax year.

In consultation with the State Department of Education, the OTC will promulgate rules necessary to implement and administer credits. The rules must include a process for a parent to anonymously donate to his or her child's classroom teacher.

The Oklahoma Department of Education's State Public Enrollment Totals for FY 2020/2021 indicate 647,602 qualifying students enrolled in public schools. Depending on the amount of monetary teacher donations per child per year, the total annual credit amount may range significantly, as detailed in Table 1. For example, if the parents of 1% of 647,602 total qualifying students make monetary donations of \$1,000 directly to classroom teachers, the resulting decrease in income tax revenue would be approximately \$6.5 million,³ whereas, if the parents of 50% of 647,602 total qualifying students make monetary donations of \$10.00, the resulting decrease in income tax revenue would be approximately \$3.2 million.

% of Qualifying Students	Potential Donation Amounts						
	A	10.00 \$	20.00 \$	50.00 \$	100.00 \$	500.00 \$	1,000.00
1%	\$	64,760	\$ 129,520	\$ 323,801	\$ 647,602	\$ 3,238,010	\$ 6,476,020
5%		323,801	647,602	1,619,005	3,238,010	16,190,050	32,380,100
10%		647,602	1,295,204	3,238,010	6,476,020	32,380,100	64,760,200
25%		1,619,005	3,238,010	8,095,025	16,190,050	80,950,250	161,900,500
50%		3,238,010	6,476,020	16,190,050	32,380,100	161,900,500	323,801,000
75%		4,857,015	9,714,030	24,285,075	48,570,150	242,850,750	485,701,500
100%		6,476,020	12,952,040	32,380,100	64,760,200	323,801,000	647,602,000

The actual amounts of monetary donations to teachers per qualifying child per year are unknown. Due to a lack of data, the expected revenue impact of this proposal is an unknown decrease in income tax revenue, beginning for FY 24 when the 2023 tax returns are filed.

¹ "Child" means a person under 18 years of age who is enrolled part-time or full-time at a public preschool or a public elementary school or secondary school that is primarily used for classroom instruction.

² See State Totals by Percentages table at <https://sdc.ok.gov/documents/2014-02-13/slate-student-public-enrollment-2013>. The amount does not include students in grade 12 or in out-of-home placement.

³ Because the formula to be used for the percentage adjustment is \$5 million divided by the credits claimed in the second preceding tax year, the credit cap is not enforceable until tax year 2025.

Prepared By: Mark Tygret

Other Considerations

None.