

BILL SUMMARY
2nd Session of the 58th Legislature

Bill No.:	HB 3669
Version:	SUBPCS1
Request Number:	10588
Author:	Rep. Wolfley
Date:	2/21/2022
Impact:	Tax Commission:

Decrease in Income Tax Revenue

FY-23: (\$14,164,000)

FY-24: (\$35,854,000)

Research Analysis

The subcommittee substitute for HB3669 increases, from \$10,000 to \$15,000, the maximum amount of retirement benefits that can be exempt from state taxable income effective tax year 2023.

Prepared By: Quyen Do

Fiscal Analysis

Analysis provided by the Tax Commission:

The Proposed Committee Substitute (Req. No. 10588) for HB 3669 proposes to amend 68 O.S. § 2358 by increasing the income tax exemption for retirement benefits (state government retirement benefits, federal civil service retirement benefits, and other private retirement benefits) from \$10,000 to \$15,000, effective for tax year 2023 and subsequent tax years.

Exclusion of State Government and Federal Civil Service Retirement Benefits

Under current law; an income tax exemption is allowed for the first \$10,000 of most Oklahoma and federal government retirement benefits that are included in federal adjusted gross income. Retirement benefits from the following are considered State Government and Federal Civil Service Retirement Benefits:

- civil service of the United States
- the Oklahoma Public Employees Retirement System
- the Teachers' Retirement System of Oklahoma
- the Oklahoma Law Enforcement Retirement System
- the Oklahoma Firefighters Pension and Retirement System
- the Oklahoma Police Pension and Retirement System
- the employee retirement systems created by counties pursuant to 19 O.S. § 951 et seq
- the Uniform Retirement System for Justices and Judges
- the Oklahoma Wildlife Conservation Department Retirement Fund
- the Oklahoma Employment Security Commission Retirement Plan,
- the employee retirement systems created by municipalities pursuant to 11 O.S. § 48-101

There is also a \$10,000 income tax exemption allowed for certain private retirement benefits that are included in federal adjusted gross income. Distributions or withdrawals from the following types of private retirement benefits are eligible:

- an employee pension benefit plan which satisfies the requirements of Section 401 of the Internal Revenue Code
- an eligible deferred compensation plan that satisfies the requirements of Section 457 of the Internal Revenue Code
- an individual retirement account, annuity or trust or simplified employee pension that satisfies the requirements of Section 408 of the Internal Revenue Code
- an employee annuity subject to the provisions of Section 403(a) or (b) of the Internal Revenue Code
- United States Retirement Bonds which satisfy the requirements of Section 86 of the Internal Revenue Code
- lump-sum distributions from a retirement plan which satisfies the requirements of Section 402(e) of the Internal Revenue Code

This measure proposes to increase the exclusion for State Government and Federal Civil Service Retirement Benefits as well as Other Retirement Benefits to \$15,000 effective for tax year 2023 and subsequent tax years.

FY EFFECT - Increase Exclusion of Certain Retirement Benefits to \$15,000				
	Revenue Impact			
Tax year 2023	-\$35,409,000			
Tax year 2024	-\$36,523,000			
Tax year 2025	-\$37,566,000			
FY Conversion		FY23	FY24	FY25
Tax year 2023	-\$35,409,000	-\$14,164,000	-\$21,245,000	
Tax year 2024	-\$36,523,000		-\$14,609,000	-\$21,914,000
Tax year 2025	-\$37,566,000			-\$15,026,000
	Total	-\$14,164,000	-\$35,854,000	-\$36,940,000
Source: Oklahoma Individual Income Tax Micro Simulation Model				

Prepared By: Mark Tygret

Other Considerations

None.