

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

<b>Bill No.:</b>	<b>HB 3693</b>
<b>Version:</b>	<b>INT</b>
<b>Request Number:</b>	<b>9391</b>
<b>Author:</b>	<b>Rep. McDugle</b>
<b>Date:</b>	<b>2/14/2022</b>
<b>Impact:</b>	<b>Tax Commission:</b>

**Income Tax Collection Decrease:**  
**FY-23: \$0**  
**FY-24: (\$5,677,000)**

**Research Analysis**

HB3693, as introduced, exempts from state income tax, 100 percent of military retirement benefits effective tax year 2023. Currently, taxpayers with military retirement benefits are limited to a \$10,000 cap for the exemption from state taxable income.

Prepared By: Quyen Do

**Fiscal Analysis**

Analysis provided by the Tax Commission:

HB 3693 proposes to exempt from Oklahoma taxable income 100% of retirement benefits received by an individual from any component of the Armed Forces of the United States effective for tax year 2023 and subsequent tax years.

Under current law, an income tax exemption is allowed for military retirement benefits from any component of the Armed Forces of the United States. The amount of the exemption is the greater of 75% of the military retirement benefit or \$10,000, but may not exceed the amount included in the taxpayer's federal adjusted gross income.

It is estimated an additional \$186.1 million<sup>1</sup> of retirement benefits (income) would be exempt from Oklahoma income tax. Applying an effective income tax rate of 3.05% results in an estimated decrease in annual income tax collections of \$5.677 million beginning with tax year 2023. No changes to estimated tax payments or withholding is anticipated; it is expected that the full impact of this measure will occur in FY24 when the 2023 income tax returns are filed.

<sup>1</sup> Analysis of tax year 2019 Income Tax Simple Statistics; \$186,129,663 additional retirement benefits would be exempt from Oklahoma income tax.

Prepared By: Mark Tygret

**Other Considerations**

None.

