

# OKLAHOMA TAX COMMISSION

## REVENUE IMPACT STATEMENT AND/OR ADMINISTRATIVE IMPACT STATEMENT SECOND REGULAR SESSION, FIFTY-EIGHTH OKLAHOMA LEGISLATURE

DATE OF IMPACT STATEMENT: March 31, 2022

BILL NUMBER: HB 3136 STATUS AND DATE OF BILL: CS for Engrossed 3/31/2022

AUTHORS: House Kendrix Senate Bergstrom

TAX TYPE (S): All SUBJECT: Administrative

PROPOSAL: Amendatory and New Law

The Committee Substitute for Engrossed 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. Interest rates are reduced each year for calendar years 2023 – 2026. The proposal is effective for all delinquencies in existence or occurring on or after November 1, 2022.

EFFECTIVE DATE: November 1, 2022

### REVENUE IMPACT:

Insert dollar amount (plus or minus) of the expected change in state revenues due to this proposed legislation.

FY 23: Estimated decrease of \$1.1 million in revenue.  
FY 24: Estimated decrease of \$5.3 million in revenue.  
FY 25: Estimated decrease of \$8.9 million in revenue.  
FY 26: Estimated decrease of \$22.5 million in revenue.

### ADMINISTRATIVE IMPACT:

Insert the estimated cost or savings to the Tax Commission due to this proposed legislation.

FY 23: Estimated administrative costs of \$62,500 to the OTC are expected for annual programming and reporting changes to the income tax remittance system.

April 4, 2022  
DATE

Rick Miller  
DIVISION DIRECTOR

bdf

4/4/2022  
DATE

Huan Gong  
HUAN GONG, ECONOMIST

4/5/2022  
DATE

Joseph P. Garza  
FOR THE COMMISSION

*The revenue impact provided herein is an estimate of the potential impact on the collection or apportionment of tax revenues affected by the proposed legislation. It is not intended to be an estimate of the overall fiscal impact on the state budget if the proposed legislation is enacted.*

**ATTACHMENT TO REVENUE IMPACT – HB 3136 [CS for Engrossed] Prepared  
3/31/2022**

The Committee Substitute for Engrossed 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. Interest rates are reduced each year for calendar years 2023 – 2026 (as detailed in the table below). For calendar years 2026 and subsequent tax years, the interest rates equal the annual rate calculated using the federal prime rate,<sup>1</sup> as of January 1 of that year, rounded down to the nearest whole percentage point if .49 or less and rounded up to the nearest whole percentage point if .5 or more. The proposal is effective for all delinquencies in existence or occurring on or after November 1, 2022.

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. On January 1, 2022, the U.S. bank prime loan rate was 3.25%,<sup>2</sup> rounded to 3% under this proposal. Using Oklahoma Tax Commission records, the decrease in income tax revenue as a result of this proposal is estimated as follows:<sup>3</sup>

Calendar Year	2023	2024	2025	2026 and subsequent
<i>Interest on Delinquent State Tax</i>				
Proposed Monthly Rate	1.17%	1%	0.83%	0.25% *
Estimated Annual Rate	14.04%	12%	9.96%	3% *
<i>Interest on Underpayment of Estimated Tax</i>				
Proposed Annual Rate	19%	17%	15%	3% *
<b>Estimated Revenue Impact (Decrease)</b>	<b>\$ (1,092,000) **</b>	<b>\$ (5,300,000)</b>	<b>\$ (8,894,000)</b>	<b>\$ (22,521,000)</b>

\* On January 1, 2022, the U.S. bank prime loan rate was 3.25%, rounded to 3% under this proposal. As a result, the monthly rate for calendar year 2026 and subsequent years is estimated to be 1/12 of 3%.

\*\* Given the November 1, 2022, effective date of the proposal, a partial impact is expected for FY 23.

In addition, estimated administrative costs of \$62,500 to the OTC are expected for annual programming and reporting changes to the income tax remittance system.

<sup>1</sup> The prime rate is an interest rate determined by individual banks. It is often used as a reference rate (also called the base rate) for many types of loans, including loans to small businesses and credit card loans. On its H.15 statistical release, "Selected Interest Rates," the Board reports the prime rate posted by the majority of the largest twenty-five banks. Although the Federal Reserve has no direct role in setting the prime rate, many banks choose to set their prime rates based partly on the target level of the federal funds rate--the rate that banks charge each other for short-term loans--established by the Federal Open Market Committee.

<sup>2</sup> See [https://vcharts.com/indicators/us\\_bank\\_prime\\_loan\\_rate](https://vcharts.com/indicators/us_bank_prime_loan_rate).

<sup>3</sup> Lowered interest rates may negatively affect voluntary compliance. This impact does not factor any potential increase in delinquent taxes or deficiencies as a result of lower interest rates.