

OKLAHOMA TAX COMMISSION

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

DATE OF IMPACT STATEMENT: February 9, 2022

BILL NUMBER: SB 1500 **STATUS AND DATE OF BILL:** Introduced 1/20/2022

AUTHORS: House NA Senate Garvin

TAX TYPE (S): Income Tax **SUBJECT:** Credit

PROPOSAL: New Law

SB 1500 proposes to enact a new income tax credit for any entity or individual that is licensed under the Alarm, Locksmith and Fire Sprinkler Industry Act and that donates alarm security services to certain tax-exempt organizations whose primary focus is providing assistance or services to victims of domestic violence and governmental organizations that are providing alarm security services to victims of domestic violence. For tax year 2023 and subsequent years, the credit is 20% of the cost to provide the service, including the cost of any equipment provided, not to exceed \$10,000 in a taxable year. Any unused credit may be carried over for three subsequent tax years.

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: None.

FY 24: Estimated decrease in income tax revenue of \$4.5 million.

Feb. 10, 2022
DATE

Rick Miller
DIVISION DIRECTOR

bdf

2/10/2022
DATE

Huan Gong
HUAN GONG, ECONOMIST

2/14/2022
DATE

[Signature]
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 – SB 1500 [Introduced] Prepared 2/9/2022

SB 1500 proposes to enact a new income tax credit for any entity or individual that is licensed under the Alarm, Locksmith and Fire Sprinkler Industry Act¹ and that donates alarm security services to organizations exempt from taxation pursuant to the provisions of Section 501(c)(3) of the Internal Revenue Code, 26 U.S.C., Section 501(c)(3) whose primary focus is providing assistance or services to victims of domestic violence and governmental organizations that are providing alarm security services to victims of domestic violence. For tax year 2023 and subsequent years, the credit is 20% of the cost to provide the service, including the cost of any equipment provided, not to exceed \$10,000 in a taxable year. Any unused credit may be carried over for three subsequent tax years.

Information provided by the Licensing Division of the Oklahoma Department of Labor indicates approximately 539 companies and 2,230 individuals are licensed to provide alarm security services, provided a licensed individual must be working for one of the licensed companies. If each licensed entity claimed the maximum annual credit for donations of alarm security services, the resulting revenue impact would be an estimated decrease in income tax revenue of approximately \$5.4 million. Because a licensed individual must be working for a licensed entity to provide alarm security services, it is assumed that most individuals who are not the owners of a licensed entity would not have the opportunity to claim the donation credit.

Internet research indicates that alarm security services typically include costs for equipment, installation and activation, and monthly monitoring.² For this analysis, it is assumed that alarm security service costs total \$760 during the first year of service and \$360 during subsequent years (for monthly monitoring).

Internet research further indicates 27,089 domestic abuse incidents were reported in Oklahoma during 2020.³ This number reflects an almost 3% increase in reported incidents since 2019. Assuming similar activity for 2023 and 2024, the estimated number of reported incidents is approximately 29,601 for 2023 and 30,489 for 2024. Using the available information, total estimated annual credits for donations of alarm security services were calculated as follows:

Tax Year	Est. Reported Incidents	Est. Annual Cost	Total Est. Annual Cost	Proposed Credit	Est. Annual Credit
2023	29,601	\$ 760	\$ 22,497,000	20%	\$ 4,499,000
2024	*	\$ 360	\$ 10,656,000	20%	\$ 2,131,000
	888	\$ 760	\$ 675,000	20%	\$ 135,000
Total					\$ 2,266,000

* Given a 3% growth rate, it is assumed that monthly monitoring will be donated for 29,601 incidents reported in FY 23, and first year alarm security service costs will be donated for 888 new incidents reported in FY 24.

Based on these estimates, the potential revenue impact of the proposal is an estimated decrease in income tax revenue of approximately \$4.5 million in FY 24 when the 2023 tax returns are filed, and an estimated decrease of approximately \$2.3 million in FY 25 when the 2024 tax returns are filed.

¹ 59 O.S. § 1800.6

² See <https://www.forbes.com/advisor/home-improvement/home-security-system-installation-costs/>.

³ See <https://oklahomawatch.org/2021/09/17/oklahoma-domestic-violence-reports-reach-highest-level-in-20-years/>.