

# OKLAHOMA TAX COMMISSION

## REVENUE IMPACT STATEMENT FIRST REGULAR SESSION, FIFTY-EIGHTH OKLAHOMA LEGISLATURE

DATE OF IMPACT STATEMENT: February 1, 2021

BILL NUMBER: SB 598 STATUS AND DATE OF BILL: Introduced 1/21/2021

AUTHORS: House n/a Senate Rader

TAX TYPE (S): Other SUBJECT: Administrative

**PROPOSAL:** Amendatory. SB 598 proposes to amend 68 O.S. §254 to allow the Oklahoma Tax Commission (OTC) to garnish the accrued earnings of a delinquent taxpayer by sending notice to a taxpayer's employer. The OTC may direct the employer to withhold part of the amount due, not to exceed 25% of earnings per pay period, until the total amount as shown by the notice, plus interest and penalty, has been withheld and remitted to the OTC. In addition, the OTC may send notice to a financial institution to levy upon the property of a delinquent taxpayer held by a financial institution. Upon receipt of the notice, the financial institution must immediately encumber and remit to the OTC the funds held by the financial institution in which the taxpayer has an interest, not in excess of the amount provided in the notice.

EFFECTIVE DATE: November 1, 2021

### REVENUE IMPACT:

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

FY 22: Estimated increase in tax collections of approximately \$1.7 million.

FY 23: Estimated increase in tax collections of approximately \$6.8 million.

### ADMINISTRATIVE IMPACT:

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

FY 22: Minimal cost to the OTC is expected for garnishment administration.

Feb. 4, 2021  
DATE

Rick Miller  
DIVISION DIRECTOR

bdf

2/5/2021  
DATE

Huan Gong  
HUAN GONG, ECONOMIST

2/5/21  
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 598 [Introduced] Prepared 2/1/2021

SB 598 proposes to amend 68 O.S. §254 to allow the Oklahoma Tax Commission (OTC) to garnish the accrued earnings<sup>1</sup> of a delinquent taxpayer by sending notice to a taxpayer's employer. The OTC may direct the employer to withhold part of the amount due, not to exceed 25% of earnings per pay period, until the total amount as shown by the notice, plus interest and penalty, has been withheld and remitted to the OTC. The employer's response and calculation of amounts withheld shall be on a form prescribed by the OTC.

Within 7 days after the end of each pay period, or if delinquent taxpayer does not have regular pay periods, within 30 days from the date of the notice, the employer must withhold amounts due or provide an explanation to the OTC why amounts due will not be withheld and remitted to the OTC. In any case in which the employee ceases to be employed by the employer before the full amount set forth in the notice of delinquency, plus delinquent penalty and interest, has been withheld by the employer, the employer must immediately notify the OTC in writing the date the employee resigned or was terminated. Should any employer, after notice, willfully fail to withhold in accordance with the notice, such employer may be liable for the total amount set forth in the notice. An employer may not terminate a delinquent taxpayer employee based upon the notice of administrative wage garnishment.

The OTC may send notice to a financial institution to levy upon the property of a delinquent taxpayer held by a financial institution<sup>2</sup>. Upon receipt of the notice, the financial institution must immediately encumber and remit to the OTC the funds held by the financial institution in which the taxpayer has an interest, not in excess of the amount provided in the notice. The financial institution must provide notice to the taxpayer of the bank levy and the amount of encumbered funds. The financial institution's response to the levy request must be provided on forms prescribed by the OTC.

An administrative wage garnishment or bank levy may be issued after 90 days in which the tax has become delinquent, notice has been sent to the taxpayer of the delinquency and possible remedies to resolve the delinquency have been provided to the taxpayer and a tax warrant has been issued and filed pursuant to 68 O.S. §231. A taxpayer has 10 days after the issuance of the notice to the employer or upon notice from the financial institution to provide any additional information to the OTC for the garnishment of wages or bank levy to be withdrawn or released by the OTC. The OTC may withdraw or adjust the garnishment for wages or bank levy upon sufficient proof that the delinquent tax, interest and penalty referred to in the notice has been paid, or that the taxpayer can show the funds or wages subject to garnishment or levy are exempt pursuant to state or federal law.

The OTC may prescribe or approve forms and promulgate rules and regulations for implementation of this proposal.

The initial revenue effect of this proposal is an estimated increase of approximately \$1.7 million in tax collections for FY 22<sup>3</sup>. The full impact of this proposal is expected to occur for FY 23 with an estimated increase in tax collections of approximately \$6.8 million.

---

<sup>1</sup> "Earnings" means any form of payment to an individual including, but not limited to salary, wages, commission or other compensation, but does not include reimbursements for travel expenses for state employees.

<sup>2</sup> "Financial institution" means any office or branch of a bank, savings bank, savings association, building and loan association, savings and loan association or credit union located in Oklahoma.

<sup>3</sup> Administrative wage garnishments are expected to be implemented during the fourth quarter of FY 22, resulting in a partial impact on tax collections.