

OKLAHOMA TAX COMMISSION

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

DATE OF IMPACT STATEMENT: January 27, 2021

BILL NUMBER: SB 912 STATUS AND DATE OF BILL: Introduced 1/21/21

AUTHORS: House n/a Senate Jett

TAX TYPE (S): Income Tax SUBJECT: Exemption

PROPOSAL: Amendatory

SB 912 proposes to amend 68 O.S. § 2358(E)(18) which relates to the income tax exemption for retirement benefits received from any component of the Armed Forces of the United States. This proposal would provide for a 100% exemption effective for tax year 2022 and subsequent tax years.

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: None.

FY 23: Estimated decrease in income tax collections of \$5,586,000.

Jan. 27, 2021
DATE

Rick Miller
DIVISION DIRECTOR

mck

2/1/2021
DATE

Huan Gong
HUAN GONG, ECONOMIST

2/1/21
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 912[Introduced] Prepared 1/27/2021

SB 912 proposes to amend 68 O.S. § 2358(E)(18) which relates to the income tax exemption for retirement benefits received from any component of the Armed Forces of the United States. This proposal would provide for a 100% exemption effective for tax year 2022 and subsequent tax years.

Under current law, the greater of 75% or \$10,000 of retirement benefits received by an individual from any component of the Armed Forces of the United States are exempt from Oklahoma income tax, to the extent that income is included in federal adjusted gross income.

This proposal increases the exemption amount to 100%, effective for tax year 2022. It is estimated an additional \$183.2 million¹ 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 income tax collections of \$5.586 million for tax year 2022. No changes in withholding or estimated tax payments are anticipated; the full impact should occur in FY23 when the 2022 income tax returns are filed.

¹ Analysis of tax year 2018 Income Tax Simple Statistics; \$183,158,828 in additional retirement benefits would be exempt from Oklahoma income tax.