OKLAHOMA TAX COMMISSION

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

DATE OF IMPACT STATEMENT: March 7, 2024

BILL NUMBER: HB 3197 **STATUS AND DATE OF BILL**: Engrossed 3/6/24

AUTHORS: House: Hilbert, Newton and McDugle Senate: Jech

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

PROPOSAL: New Law

Engrossed HB 3197 proposes to create the Vision Care and Research Tax Credit Act of 2024, which allows an income tax credit for any taxpayer who makes a donation to a vision institute, effective for tax year 2025 and subsequent years. The credit is 100% of the amount of the donation, limited to $1,000 for a single individual, $2,000 for a married individuals filing jointly, or $50,000 for a legal business entity. The credit is nonrefundable and may be carried forward to five subsequent taxable years.

EFFECTIVE DATE: January 1, 2025

REVENUE IMPACT:

Public filings for one Oklahoma vision research institute for tax year 2021 reported contributions, gifts and grants of approximately $3.2 million. This analysis assumes similar donation activity for tax year 2025 and does not factor any potential increase in donations as a result of the proposal.

FY 25: Estimated $1.3 million decrease in income tax revenue.
FY 26: Estimated $3.2 million decrease in income tax revenue.

3/11/24		bf
DATE	MARIE SCHUBLE, DIVISION DIRECTOR	
3/7/24	Huan Gong	
DATE	HUAN GONG, ECONOMIST	
3/11/2024	Joseph P. Gappa	
DATE	JOSEPH P. GAPPA, 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 3197 Prepared: March 7, 2024

PROPOSED NEW LAW:

Engrossed HB 3197 proposes to create the Vision Care and Research Tax Credit Act of 2024. Under the Act, an income tax credit is allowed for any taxpayer who makes a donation to a vision institute, effective for tax year 2025 and subsequent years.[1] The credit is 100% of the amount of the donation, limited to $1,000 for a single individual, $2,000 for a married individuals filing jointly, or $50,000 for a legal business entity. The credit is nonrefundable and may be carried forward to five subsequent taxable years.

For tax years beginning on or after January 1, 2025, total credits used to offset tax must be adjusted annually to limit annual credits to $2 million. If total credits exceed $2 million in any calendar year, the Oklahoma Tax Commission (OTC) will permit any excess over $2 million but will factor such excess into the percentage adjustment formula for subsequent years. The OTC will annually calculate and publish by the first day of the affected year the percentage by which the credits will be reduced so the total annual amount of credits used to offset tax does not exceed $2 million. The formula used for the percentage adjustment is $2 million divided by the credits used to offset tax in the second preceding year.[2]

ANTICIPATED IMPACT:

Public filings for one Oklahoma vision research institute for tax year 2021 reported contributions, gifts and grants of approximately $3.2 million. Assuming similar donation activity for tax year 2025 and without factoring any potential increase in donations as a result of the proposal, an estimated decrease of approximately $1.3 million in estimated income tax payments may be expected for FY 2025, and an estimated decrease of $3.2 million in income tax revenue may be expected for FY 2026 (as noted, the $2 million annual credit cap is not enforceable until tax year 2027).

[1] Currently, charitable donations are tax-deductible for certain individuals who itemize deductions and for business entities, subject to income limitations.

[2] Because the formula to be used for the percentage adjustment is $2 million divided by the credits used to offset tax in the second preceding tax year, the credit limit is not enforceable until tax year 2027.