

OKLAHOMA TAX COMMISSION

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

DATE OF IMPACT STATEMENT: January 18, 2024

BILL NUMBER: SB 1245 **STATUS AND DATE OF BILL:** Introduced 12/7/2023

AUTHORS: House: n/a Senate: Daniels

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

PROPOSAL: Amendatory

SB 1245 proposes to amend 68 O.S. § 2358(E)(3)(b) relating to itemized deductions allowable on an Oklahoma income tax return by exempting wagering losses deductible for federal income tax purposes from the current Oklahoma itemized deduction cap of \$17,000, effective for tax year 2018 and subsequent tax years.

EFFECTIVE DATE: November 1, 2024

REVENUE IMPACT:

The effects of this proposal were estimated using the Oklahoma Individual Income Tax Microsimulation Model. The decline in income tax collections for tax years 2021 through 2027 is expected to be \$28.6 million. The timing for filing the amended returns for tax years 2021 through 2023 is unknown.

FY 25: Unknown decrease in income tax collections.


FY 26: Unknown decrease in income tax collections.

ADMINISTRATIVE IMPACT:

FY 25: The implementation of this measure will require two additional FTE to process the additional amended returns at a cost of \$140,000.

1/18/24

DATE



MARIE SCHUBLE, DIVISION DIRECTOR

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1/18/24

DATE

Huan Gong

HUAN GONG, ECONOMIST

1/19/2023

DATE

Joseph P. Gappa

JOE 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 – SB 1245 [Intro] Prepared: January 18, 2024

SB 1245 proposes to amend 68 O.S. § 2358(E)(3)(b) relating to itemized deductions allowable on an Oklahoma income tax return by exempting wagering losses deductible for federal income tax purposes from the current Oklahoma itemized deduction cap of \$17,000, effective for tax year 2018 and subsequent tax years.

CURRENT LAW:

Under current law, Oklahoma itemized deductions are limited to \$17,000 of federal itemized deductions.¹

PROPOSED AMENDMENT:

This measure would allow full deductibility as an itemized deduction of wagering losses deductible for federal income tax purposes. This measure as proposed would be effective retroactively to tax year 2018.²

ANTICIPATED IMPACT:

The estimated impact for allowing full deductibility of wagering losses as an itemized deduction is a projected revenue loss as outlined in the chart below for tax years 2021 through 2027.³

Tax Year	Change in Collections
2021	-\$3,644,000
2022	-\$3,592,000
2023	-\$3,810,000
2024	-\$4,066,000
2025	-\$4,269,000
2026	-\$4,482,000
2027	-\$4,722,000

The due dates for income tax returns for years 2018 through 2023 precede the effective date of this measure. Amended returns⁴ will be necessary to claim the itemized deductions as outlined in this proposal. The decline in income tax collections for tax years 2021 through 2027 is expected to be \$28.6 million. The timing for filing amended returns for tax years 2021 through 2023 is uncertain, therefore, an unknown decrease in revenue is expected in FY25 and in the following FYs. No changes to withholding or estimated tax payments are expected.

¹Charitable contributions and medical expenses deductible for federal income tax purposes are not subject to the \$17,000 cap on Oklahoma itemized deductions.

²Claims for income tax refunds generally have a 3-year statute of limitations (68 O.S. §227). While allowing wagering losses to be deductible for tax years 2018 through 2020, the Oklahoma Tax Commission would be barred from issuing any refund for tax years 2018 through 2020.

³Due to data limitations, the current version of the Oklahoma Individual Income Tax Microsimulation Model cannot model the effects of this proposal before tax year 2021. Previous estimates suggest an annual tax year revenue decrease of approximately \$7.5 million (HB 3085 2022 Session).

⁴With SB 1245 becoming effective November 1, 2024, tax year 2023 returns will also have to be amended. The additional amended returns due to the enactment of this measure will have an administrative cost to the Oklahoma Tax Commission.