

# OKLAHOMA TAX COMMISSION

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

**DATE OF IMPACT STATEMENT:** January 11, 2024

**BILL NUMBER:** SB 1405 **STATUS AND DATE OF BILL:** Introduced 12/15/23

**AUTHORS:** House: N/A Senate: Hall

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

**PROPOSAL:** Amendatory

SB 1405 proposes to amend 68 O.S. § 2357.206, relating to the Oklahoma Equal Opportunity Education Scholarship Act, allowing an income tax credit for contributions made to an eligible higher education institution foundation on or after January 1, 2025. Total annual credits for contributions made to an eligible higher education institution foundation are limited to \$25 million, and total annual credits per higher education institution foundation are further limited to \$7.5 million.

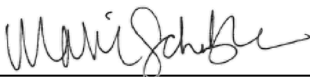
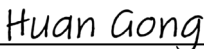
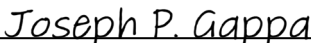
**EFFECTIVE DATE:** November 1, 2024

### REVENUE IMPACT:

Oklahoma has approximately 28 public colleges and universities, of which most have at least one eligible higher education institution foundation. Contributions to higher education institution foundations already occur under current law. Assuming similar contributions for tax year 2025, a decrease in withholding and estimated payments is expected, beginning for FY 2025, and the full revenue impact would be expected for FY 26.

**FY 25: Estimated decrease of \$10 million in income tax revenue.**

**FY 26: Estimated decrease of \$25 million in income tax revenue.**

<u>1/13/24</u>		bf
DATE	MARIE SCHUBLE, DIVISION DIRECTOR	
<u>1/11/24</u>		
DATE	HUAN GONG, ECONOMIST	
<u>1/15/2024</u>		
DATE	JOSEPH 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 1405 Prepared: January 11, 2024**

### **CURRENT LAW:**

A credit is allowed under 68 O.S. § 2357.206 for contributions to an eligible scholarship-granting organization, an eligible educational improvement grant organization and an eligible public school foundation or public school district. The credit is generally 50%<sup>1</sup> of the amount donated, not to exceed \$1,000 for an individual, \$2,000 for a married filing joint return, or \$100,000 for a legal business entity.

### **PROPOSED AMENDMENTS:**

SB 1405 proposes to amend 68 O.S. § 2357.206 to allow an allocable credit for contributions made to an eligible higher education institution foundation on or after January 1, 2025. The proposed credit amount is the same as for eligible scholarship-granting organizations and eligible educational improvement grant organizations. Any unused credits may be carried over, in order, to each of the three years following the year of qualification.

Total annual credits for contributions made to an eligible higher education institution foundation are limited to \$25 million, and total annual credits per higher education institution foundation are further limited to \$7.5 million. If the Tax Commission (OTC) determines the total combined credits claimed for contributions made to eligible higher education institution foundations during the most recently completed calendar year by all taxpayers exceed \$7.5 million, the OTC will first allocate any amount of credits not claimed to other eligible higher education institution foundations, then will determine the percentage of the contributions that establishes the proportionate share of the credit that may be claimed by any taxpayer so that the maximum authorized credits are not exceeded.

Eligibility and reporting requirements for each higher education institution foundation are further detailed in the proposal.

### **ANTICIPATED IMPACT:**

Oklahoma has approximately 28 public colleges and universities, of which most have at least one eligible higher education institution foundation. Contributions to higher education institution foundations already occur under current law.<sup>2</sup> Assuming similar contributions for tax year 2025, the expected impact of the proposal is an estimated decrease of \$10 million for FY 25<sup>3</sup> and \$25 million for FY 26.

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<sup>1</sup> For taxpayers who make a contribution and make a written commitment to contribute the same amount for an additional year, the amount of the credit will be 75% of the contributions for each year.

<sup>2</sup> For example, for 2022, the [OU Foundation](#) reported \$197.5 million in contributions, the [OSU Foundation](#) reported \$163.6 million in contributions, the [UCO Foundation](#) reported \$20.1 million in contributions, the [Northwestern OSU Foundation](#) reported \$4.1 million in contributions, and the [Southwestern Oklahoma State University Foundation](#) reported \$2.5 million in contributions. Data from public IRS form 990 - *ProPublica*.

<sup>3</sup> A decrease in withholding and estimated tax payments may be expected, beginning for FY 25.