

OKLAHOMA TAX COMMISSION

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

DATE OF IMPACT STATEMENT: March 1, 2024

BILL NUMBER: SB 1451

STATUS AND DATE OF BILL: CS for Intro. 2/19/24

AUTHORS: House: NA Senate: McCortney

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

PROPOSAL: New Law

The Committee Substitute for SB 1451 proposes to create a new, refundable income tax credit for 75% of court costs paid during a tax year by a resident individual with a gross adjusted income of at least \$10,000, effective for tax year 2025 and subsequent tax years. To qualify for the credit, a resident must have successfully completed the drug court program pursuant to 22 O.S. § 471 et seq. or completed a term of imprisonment ordered by an Oklahoma court.

EFFECTIVE DATE: November 1, 2024

REVENUE IMPACT:

Information to reasonably estimate a total amount of court costs charged and collected for Oklahoma residents who completed a term of imprisonment is not available. In addition, the portion of estimated court costs charged and collected for Oklahoma residents who completed an Oklahoma drug court program that may be claimed as credits for tax year 2025 is unknown.

FY 25: None.

FY 26: Unknown decrease in income tax revenue.

3/1/24

DATE

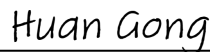


MARIE SCHUBLE, DIVISION DIRECTOR

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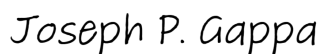
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HUAN GONG, ECONOMIST

3/4/2024

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.

PROPOSED NEW LAW:

The Committee Substitute for SB 1451 proposes to create a new, refundable income tax credit for 75% of court costs¹ paid during a tax year by a resident individual with a gross adjusted income of at least \$10,000, effective for tax year 2025 and subsequent tax years. To qualify for the credit, a resident must have successfully completed the drug court program pursuant to 22 O.S. § 471 et seq. or completed a term of imprisonment ordered by an Oklahoma court.

The Oklahoma Tax Commission (OTC) must promulgate rules to implement the proposal, including a specific list of qualified court costs. The OTC must further prescribe necessary requirements for verification, including the submission of documents provided by the court clerk.

As drafted, it appears the proposed credit does not require a person to complete an Oklahoma drug court program or a term of imprisonment during the same tax year that court costs are paid, and anyone who ever completed an Oklahoma drug court program or term of imprisonment could claim the credit for court costs paid during 2025 and subsequent years.

ANTICIPATED IMPACT:

Information considered for this analysis include the following:

- OTC records indicate approximately 1.4 million Oklahoma resident returns were filed for tax year 2022 with a federal adjusted gross income of \$10,000 or more.
- Oklahoma Department of Mental Health and Substance Abuse Services reports 817 drug court graduates and 229 mental health court graduates for FY 2023. Estimated costs related to these graduates totaled approximately \$2.7 million. In addition, Mental Health reports 21,737 total graduates from drug court and 2,215 total graduates from mental health court since 2001. Estimated costs related to all graduates totaled approximately \$61 million. However, Mental Health noted that the estimates are subject to wide variability between counties and how the court and criminal justice officials assess and collect the court and other criminal fees.
- Prison Policy Initiative statistics indicate 216,797 releases from Oklahoma prisons and jails in 2019.²

Information to reasonably estimate a total amount of court costs charged and collected for Oklahoma residents who completed a term of imprisonment is not available. In addition, the portion of estimated court costs charged and collected for Oklahoma residents who completed an Oklahoma drug court program that may be claimed as credits for tax year 2025 is unknown. As a result, the expected revenue impact of the proposal is an unknown decrease in income tax revenue, beginning for FY 2026 when the 2025 tax returns are filed.

¹ “Court costs” mean fees and costs charged and collected by any clerk of the court in Oklahoma in connection with a criminal charge but will not include any penalties or restitution.

² See <https://www.prisonpolicy.org/blog/2022/08/25/releasesbystate/>.