

OKLAHOMA TAX COMMISSION

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

DATE OF IMPACT STATEMENT: January 17, 2024

BILL NUMBER: SB 1477 **STATUS AND DATE OF BILL:** Introduced 12/18/23

AUTHORS: House: N/A Senate: Treat

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

PROPOSAL: Amendatory

SB 1477 proposes to amend 68 O.S. § 2358 to exempt payments pursuant to the Parental Choice Tax Credit (PCTC) Act from taxable income, effective for tax year 2024 and subsequent tax years. Additional amendments to the PCTC Act under 70 O.S. § 28-101 are proposed (see attachment).

EFFECTIVE DATE: Emergency – Upon Passage and Approval

REVENUE IMPACT:

Following passage of HB 1934 in 2023, PCTC installment payments are set to begin in tax year 2024, which shall not exceed \$150 million. Assuming the maximum \$150 million in tax credits are authorized, that could potentially result in an increase of \$4.65 million¹ in income tax revenue. Assuming tax credit payments are considered taxable income, exempting the PCTC payments from taxable income would result in an unknown decrease in income tax revenue.

FY 25: Unknown decrease in income tax revenue.

FY 26: Unknown decrease in income tax revenue.

1/18/24

DATE

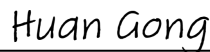


MARIE SCHUBLE, DIVISION DIRECTOR

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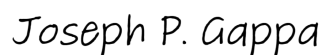
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HUAN GONG, ECONOMIST

2/26/2024

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.

¹ The estimated increase assumes an effective tax rate of 3.1%.

CURRENT LAW:

The Parental Choice Tax Credit Act (PCTC) under 70 O.S. § 28-101 provides payment for qualified expenses for an eligible student who attends a private school or who is educated pursuant to other means of education (homeschool), effective for tax year 2024 and subsequent tax years. A taxpayer claiming the credit for private school expenses must submit an application prescribed by the Oklahoma Tax Commission (OTC) to receive the credit in two installments, each of which will be half of the expected amount of tuition and fees for the private school based on a private school affidavit. The OTC may authorize up to \$150 million in payments for qualified private school expenses for tax year 2024.

Various adjustments to arrive at Oklahoma taxable income and Oklahoma adjusted gross income are authorized under 68 O.S. § 2358.

PROPOSED AMENDMENTS:

SB 1477 proposes the following amendments to 70 O.S. § 28-101:

- The definition of “eligible student” is expanded to include a student who is expected to enroll in a private school.
- The definition of “qualified expense” for the homeschool payment is expanded to include tuition and fees for nonpublic learning programs, online or in person.
- If an eligible student attends an accredited private school that exclusively serves students experiencing homelessness, the credit amount is the lesser of \$7,500 or the cost to educate the eligible student at the private school.
- The credit will not be used to offset or pay the following:²
 - Delinquent tax liability,
 - Accrued penalty or interest from the failure to file a report or return,
 - Accrued penalty or interest from the failure to pay a state tax within the statutory period allowed for its payment, or
 - Tax liability of the taxpayer for a prior tax year.
- A single payment will be made for the expected amount of tuition and fees for the private school year based on an enrollment verification form.
- Tax credits allowed and payments will be allocated at the beginning of the school year.
- Taxpayers claiming the credit must notify the OTC not later than 30 days after the date on which the eligible student:
 - Enrolls in a public school, including an open-enrollment charter school,
 - Graduates from high school, or
 - Is no longer participating in the program for any reason.
- The OTC is authorized to reallocate credits to the next eligible taxpayer in line when a taxpayer, on behalf of an eligible student in the program,

² It is unclear whether a qualified entity (e.g., Department of Human Services, municipal court, district court, etc.) may use a PCTC payment to offset or pay delinquent liabilities, fines and fees.

chooses not to participate, is no longer eligible to participate, or chooses to forgo participation in the program for any reason.

The proposal further amends 68 O.S. § 2358 to exempt PCTC payments from taxable income, effective for tax year 2024 and subsequent tax years.

ANTICIPATED IMPACT:

Following passage of HB 1934 in 2023, PCTC installment payments are set to begin in tax year 2024, which shall not exceed \$150 million. Assuming the maximum \$150 million in tax credits are authorized, that could potentially result in an increase of \$4.65 million¹ in income tax revenue. Assuming tax credit payments are considered taxable income, exempting the PCTC payments from taxable income would result in an unknown decrease in income tax revenue.

ADMINISTRATIVE CONCERN:

Currently, a taxpayer is approved for both installment payments at the beginning of the tax year. The first installment payments are scheduled to be released in FY 2024, while the second installment payments are expected to be released in FY 2025. The amendments to allow a single private school payment to be made at the beginning of the school (fiscal) year may require clarifying language to realign the annual \$150 million cap from tax year to school (fiscal) year.

³ The estimated increase assumes an effective tax rate of 3.1%.