

MEMO

Tax Policy & Research Division



OKLAHOMA
Tax Commission

DATE: February 19, 2025
TO: FISCAL STAFF
FROM: MARIE SCHUBLE, DIRECTOR (LH) *MS*
TAX POLICY & RESEARCH
SUBJECT: SB 229 – Proposed Committee Substitute (Req. No. 1629)

ESTIMATED REVENUE IMPACT:

FY27: \$0

FY28: Estimated decrease in income tax collections of \$13.5 million.

ANALYSIS: The Proposed Committee Substitute for SB 229 (Req. No. 1629) proposes amendments to the Parental Choice Tax Credit Act (70 O.S. § 28-101), modifying the caps and growth mechanisms for both private school and homeschool tax credits.

Private School Credits: Beginning in FY27, private school credits have a \$250 million annual cap. This cap will increase by 10% in subsequent years if authorized credits reach 90% of the current cap. With approximately 41,500 private school students in Oklahomaⁱ, assuming full participation and applying the same distribution of claims based on AGI level from year 1 of the programⁱⁱ, the initial estimate for FY27 is \$272 million in claims. After reducing this amount by \$9 million to account for schools with tuition and fees below the maximum allowable credit, the revised estimate for FY27 is \$263 million in claims—\$13 million over the \$250 million cap. It is expected that the annual cap will increase for FY28, resulting in a \$13 million revenue decrease for that fiscal year.

Homeschool Credits: Homeschool credits have an annual cap of \$5 million per tax year. This measure provides guidance to the OTC on how to manage this cap. The OTC will calculate an annual adjustment percentage by dividing the applicable cap by credits claimed two years prior. For tax year 2027, if credits claimed in 2025 are equal to or exceed 90% of the \$5 million cap, the cap increases by 10% for the current and subsequent fiscal years. The taxpayers' credits will be reduced by the annual adjustment percentage.

Based on U.S. Census estimates, 5.3% of K-12 students in Oklahoma are homeschooledⁱⁱⁱ, which is approximately 37,100 out of 700,000 K-12 students^{iv}. Taxpayers are eligible to claim \$1,000 annually in qualified expenses for each student, resulting in total potential claims of \$37 million annually, which is \$32 million over the \$5 million cap. It is expected that the annual cap will increase for tax year 2027, resulting in a \$500,000 revenue decrease for that tax year. Withholding and estimated tax payments are not expected to change; an estimated decrease of \$500,000 is expected in FY 28.

ⁱ <https://www.privateschoolreview.com/oklahoma>

ⁱⁱ https://oklahoma.gov/content/dam/ok/en/tax/documents/resources/reports/pctc/PCTC_Report_2024.pdf

ⁱⁱⁱ <https://education.jhu.edu/edpolicy/policy-research-initiatives/homeschool-hub/states/oklahoma/>

^{iv} https://nces.ed.gov/programs/digest/d13/tables/dt13_203.20.asp