



BILL/VERSION: SB 229 INTRODUCED

ANALYST: TB

AUTHORS: Sen. Daniels

DATE: 1/20/2025

TAX(ES): Income Tax

SUBJECT(S): Credit

EFFECTIVE DATE: Nov. 1, 2025

Emergency

ESTIMATED REVENUE IMPACT:

FY27: Estimated decrease in income tax collections of \$13 million.

FY28: Estimated decrease in income tax collections of \$32 million.

ANALYSIS. Senate Bill 229 proposes to amend the Parental Choice Tax Credit (PCTC) Act (70 O.S. § 28-101) by eliminating the \$250 million annual cap¹ for tax credits authorized for private school tuition and fees, and the \$5 million annual cap on tax credits for qualified homeschool expenses, effective beginning in fiscal year 2027.

There are approximately 41,500 private school students in Oklahoma.² Assuming full participation and the same distribution of claims based on AGI level from year 1 of the program³ results in an initial estimate of \$272 million in claims for FY27. After reducing the impact by \$9 million for those schools with tuition and fees below the maximum allowable credit, the estimate for FY27 is \$263 million in claims, which is \$13 million over the \$250 million cap.

Based on U.S. Census estimates, 5.3% of K-12 students in Oklahoma are homeschooled⁴, which is approximately 37,100 out of 700,000 K-12 students⁵. 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.

This estimate does not account for potential increases in participation or potential tuition increases resulting from the credit.

¹ Without a cap, an application deadline may be necessary to prevent retroactive applications for completed school years. It is expected OTC can promulgate administrative rules to address this issue.

² <https://www.privateschoolreview.com/oklahoma>

³ https://oklahoma.gov/content/dam/ok/en/tax/documents/resources/reports/pctc/PCTC_Report_2024.pdf

⁴ <https://education.jhu.edu/edpolicy/policy-research-initiatives/homeschool-hub/states/oklahoma/>

⁵ https://nces.ed.gov/programs/digest/d13/tables/dt13_203.20.asp

1/23/25

Huan Gong

DATE

DR. HUAN GONG, CHIEF TAX ECONOMIST

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Joseph P. Gappa

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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.



ADDITIONAL INFORMATION:

It is expected that the majority of the impact of the cap removal on the homeschool credit will shift to FY28, because while some taxpayers claiming the homeschool tax credit may decrease withholding or estimated tax payments, that would only result in a minimal decrease in income tax collections in FY27. It is expected the revenue impact for FY28 would be a decrease of \$32 million in income tax collections as a result of the homeschool claims.

This measure also proposes to amend the priority application process. Under current law, if there are more applications submitted by eligible taxpayers for the private school tax credit than available credits, then the OTC is required to give first preference to eligible students of taxpayers who have a federal AGI that does not exceed \$150,000 and have received the credit in the prior year. This measure removes the preference for low-income AGI taxpayers. However, because this measure removes the annual cap effective for FY27, a priority application process is no longer necessary.

ADMINISTRATIVE IMPACT. The removal of caps on private school and homeschool tax credits will require system updates, at a cost of approximately \$7,200. This minor system modification is necessary to ensure compliance and proper functionality.