

OKLAHOMA TAX COMMISSION

FISCAL IMPACT STATEMENT AND/OR ADMINISTRATIVE IMPACT STATEMENT SECOND REGULAR SESSION, FIFTY-THIRD OKLAHOMA LEGISLATURE

DATE OF IMPACT STATEMENT: February 9, 2012

BILL NUMBER: HB 3068 STATUS AND DATE OF BILL: Introduced 01/18/2012

AUTHORS: House Quinn Senate n/a

TAX TYPE (S): Income Tax SUBJECT: Tax Rate

PROPOSAL: Amendatory, New Law and Repealer

HB 3068 proposes to lower the individual income tax rate for tax years 2013 through 2021; provided the amount of the revenue growth in the General Revenue Fund shows positive growth of more than six percent (6%).

EFFECTIVE DATE: January 1, 2013

REVENUE IMPACT:

Insert dollar amount (plus or minus) of the expected change in state revenues due to this proposed legislation.

FY 13: Projected revenue decrease in income tax collections of \$46,106,000
FY 14: Projected revenue decrease in income tax collections of \$171,488,000
FY 15: Projected revenue decrease in income tax collections of \$320,999,000
FY 16: Projected revenue decrease in income tax collections of \$492,072,000

ADMINISTRATIVE IMPACT:

Insert the estimated cost or savings to the Tax Commission due to this proposed legislation.

FY 13: Minimal

Feb. 9, 2012

DATE

Rick Miller

DIVISION DIRECTOR

mck

2-9-2012

DATE

Reece Womack

REECE WOMACK, ECONOMIST

2/9/12

DATE

Dan Cash

FOR THE COMMISSION

ATTACHMENT TO FISCAL IMPACT - HB 3068 [Introduced] Prepared February 9, 2012

Section 1 of HB 3068, amending 68 O.S. § 2355, proposes to lower the individual income tax rate for tax years 2013 through 2021; provided the amount of the revenue growth in the General Revenue Fund shows positive growth of more than six percent (6%). **Section 2**, adds a new section of law, 68 O.S. § 2355.1E, which provides that the income tax rate reduction in Section 1 shall be contingent upon a determination by the State Board of Equalization that the amount of revenue growth in the General Revenue Fund shows a positive growth of more than six percent (6%), which is determined by comparing the fiscal year General Revenue Fund estimate for the fiscal year beginning on the next ensuing July 1 date to the revised General Revenue Fund estimate for the then current fiscal year. **Section 3** repeals 68 O.S. § 2355.1A

Under current law, Oklahoma has a progressive individual income tax rate structure with the top marginal tax rate at 5.25% for tax year 2012. This measure would phase-in income tax rate reductions beginning with tax year 2012, with the top income tax rate ultimately at 3.00% for tax year 2021. Table 1 below shows the proposed top individual income tax rates by tax year.

Table 1	
Tax Year	Top Marginal Rate
2012 ¹	5.25%
2013	5.00%
2014	4.75%
2015	4.50%
2016	4.25%
2017	4.00%
2018	3.75%
2019	3.50%
2020	3.25%
2021	3.00%

The fiscal impact of this proposal was derived using the Oklahoma Tax Commission Individual Income Tax Micro-Simulation Model through tax year 2016² and assuming that growth in the General Revenue Fund will be sufficient to allow for the proposed rate reductions.

It is projected that individual income tax collections would decrease by \$115,264,000 for tax year 2013; decrease by \$255,823,000 for tax year 2014; decrease by \$418,762,000 for tax year 2015 and decrease by \$602,038,000 for tax year 2016. Tax year projections and FY conversions through tax year 2016 are in Table 2 below.

Table 2 - Estimated revenue impact of top individual income tax rate reduction for tax year 2013 through tax year 2016.					
	Proposed top tax rate	Fiscal Impact			
Tax year 2013	5.00%	-\$115,264,000			
Tax year 2014	4.75%	-\$255,823,000			
Tax year 2015	4.50%	-\$418,762,000			
Tax year 2016	4.25%	-\$602,038,000			
FY CONVERSION (assuming 40%/60%)		FY13	FY14	FY15	FY16
Tax year 2013	-\$115,264,000	-\$46,106,000	-\$69,158,000		
Tax year 2014	-\$255,823,000		-\$102,329,000	-\$153,494,000	
Tax year 2015	-\$418,762,000			-\$167,505,000	-\$251,257,000
Tax year 2016	-\$602,038,000				-\$240,815,000
	FY TOTAL	-\$46,106,000	-\$171,487,000	-\$320,999,000	-\$492,072,000

Source: Oklahoma Individual Income Tax Micro-Simulation Model

¹ The top marginal rate for tax year 2012 was determined to be 5.25% under the provisions of 68 O.S. § 2355.1A. This measure codifies the existing rate and no fiscal impact is anticipated for tax year 2012.

² Limitations in the model do not allow for simulation past tax year 2016.