

OKLAHOMA TAX COMMISSION

**FISCAL IMPACT STATEMENT AND/OR ADMINISTRATIVE IMPACT STATEMENT
FIRST REGULAR SESSION, FIFTY-FOURTH OKLAHOMA LEGISLATURE**

DATE OF IMPACT STATEMENT: February 7, 2013

BILL NUMBER: HB 1101 **STATUS AND DATE OF BILL:** Introduced 1/9/13

AUTHORS: House Sears Senate n/a

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

PROPOSAL: Amendatory and New Law

HB 1101 proposes to reduce the top marginal individual income tax rate based on a determination by the Board of Equalization (trigger mechanism) of sufficient revenue growth. Also, this measure repeals 68 O.S. § 2355.1A.

EFFECTIVE DATE: January 1, 2014

REVENUE IMPACT:

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

FY 14: -0-

FY 15: Projected revenue decrease of \$54,436,000.

FY16: Projected revenue decrease of \$140,107,000.

ADMINISTRATIVE IMPACT:

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

FY 14: No additional cost or savings are anticipated.

Feb. 16, 2013
DATE

Rick Miller
DIVISION DIRECTOR

mck

DATE

REECE WOMACK, ECONOMIST

2/16/13
DATE

Dan Hyslop
FOR THE COMMISSION

ATTACHMENT TO FISCAL IMPACT - HB 1101[Introduced] Prepared February 7, 2013

HB 1101 proposes to reduce the top marginal individual income tax rate based on a determination by the Board of Equalization (trigger mechanism) of sufficient revenue growth. Also, this measure repeals 68 O.S. §2355.1A.

This measure proposes to enact a “trigger mechanism” for tax year 2015 and subsequent tax years that would allow the top individual income tax rate to be reduced contingent upon revenue growth. Currently the top rate is set at 5.25%. If revenue growth is sufficient, the top rate will be reduced to 5.0% in 2015, with reductions to the rate authorized in increments of .25% until the top rate is 3.25%.

Trigger Mechanism

- Step 1 – Board of Equalization (BOE) certifies at December 2014 meeting that total revenue collections from all sources certified by BOE for FY14 exceeded total revenue collections from all sources certified by BOE for FY13. Process is repeated annually.
- Step 2 – At the December 2014 meeting, BOE determines the amount of revenue collected for FY13 (initial base amount) and FY14 for Personal Income Tax, Sales Tax, Use Tax, Motor Vehicle Tax, and Corporate Income Tax. If FY14 collections are at least 5% greater than FY13 collections, the top rate is reduced by .25% to 5.0% for 2015. Process is repeated until 3.25% top marginal rate is achieved.
- There are potentially eight (8) rate moves, .25% each, to end at 3.25% for the top marginal rate.

Estimates assume top rate at 5% for tax years 2015 and 2016 due to uncertainty of trigger mechanism. The table below shows the estimated tax year and FY effects.

FY EFFECT INCOME TAX TOP RATE CHANGE 5% TOP RATE FOR ALL YEARS			
	Fiscal Impact		
Tax year 2015	\$(136,089,000)		
Tax year 2016	\$(146,134,000)		
FY CONVERSION		FY15	FY16
Tax Year 2015	\$(136,089,000)	\$(54,436,000)	\$(81,653,000)
Tax Year 2016	\$(146,134,000)		\$(58,454,000)
	FY TOTAL	\$(54,436,000)	\$(140,107,000)
Source: Oklahoma Individual Income Tax Microsimulation Model.			