

OKLAHOMA TAX COMMISSION

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

DATE OF IMPACT STATEMENT: April 30, 2013

BILL NUMBER: HB 2032

STATUS AND DATE OF BILL: Engrossed SA to Engrossed HB 4/24/13

AUTHORS: House Shannon Senate Bingman

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

PROPOSAL: Amendatory and New Law

HB 2032 proposes to:

- Create the *Oklahoma State Capital Building Repair and Restoration Fund* and apportion \$60,000,000 of income tax revenue each year to the *Oklahoma State Capital Building Repair and Restoration Fund* for FY14 and FY15.
- Maintain the top marginal individual income tax rate of 5.25% through 2014 and reduce the top marginal individual income tax rate to 5.0% for tax year 2015. The top marginal individual income tax rate may be further reduced to 4.85% for tax years 2016 and subsequent tax years, contingent upon certain revenue growth as proposed.
- Enact a new law, 68 O.S. § 2355.1E, which provides a trigger mechanism to reduce the top marginal individual income tax rate to 4.85% beginning with tax year 2016.

EFFECTIVE DATE: July 1, 2013 - Emergency

REVENUE IMPACT:

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

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

FY 16: Projected revenue decrease of \$176,547,000.

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.

Apr. 30, 2013
DATE

Rick Miller
DIVISION DIRECTOR

mck

4-30-2013
DATE

Reece Womack
REECE WOMACK, ECONOMIST

4/30/13
DATE

[Signature]
FOR THE COMMISSION

ATTACHMENT TO FISCAL IMPACT - HB 2032 [Engr. SA to Engr. HB] Prepared April 30, 2013

HB 2032 proposes to:

- Create the *Oklahoma State Capital Building Repair and Restoration Fund* and apportion \$60,000,000 of income tax revenue each year to the *Oklahoma State Capital Building Repair and Restoration Fund* for FY14 and FY15.
- Maintain the top marginal individual income tax rate of 5.25% through 2014 and reduce the top marginal individual income tax rate to 5.0% for tax year 2015. The top marginal individual income tax rate may be further reduced to 4.85% for tax years 2016 and subsequent tax years, contingent upon certain revenue growth as proposed.
- Enact a new law, 68 O.S. § 2355.1E, which provides a trigger mechanism to reduce the top marginal individual income tax rate to 4.85% beginning with tax year 2016.

Section 1 (68 O.S. § 2352) and **Section 4** (new law 19 O.S. §73) creates the *Oklahoma State Capital Building Repair and Restoration Fund* and apportions \$60,000,000 of income tax revenue each year to the *Oklahoma State Capital Building Repair and Restoration Fund* for FY14 and FY15.

Section 2 - Amends 68 O.S. § 2355 by maintaining the top marginal individual income tax rate of 5.25% through 2014 and reducing the top marginal individual income tax rate to 5.0% for tax year 2015. The top marginal individual income tax rate may be further reduced to 4.85% for tax years 2016 and subsequent tax years, contingent upon certain revenue growth as proposed in new law in Section 3.

Section 3 – Proposes to enact a new law, 68 O.S. § 2355.1E, which provides a trigger mechanism to reduce the top marginal individual income tax rate to 4.85% beginning with tax year 2016. To trigger the lower rate of 4.85% for tax year 2016, the State Board of Equalization will have to make a preliminary finding at the December 2014 meeting that it anticipates a finding will be made at the February 2015 meeting that the estimated growth in General Revenue Collections for FY16 is equal to or greater than the estimated cost of decreasing the top marginal individual income tax rate to 4.85% for tax year 2016. The State Board of Equalization will certify at their February 2015 meeting that the estimated growth in General Revenue Collections for FY16 will be equal to or greater than the estimated cost of decreasing the top marginal individual income tax rate to 4.85% for tax year 2016. This will be repeated at every December and February State Board of Equalization meeting until the top marginal individual income tax rate is 4.85%. Once that rate is achieved, the State Board of Equalization will no longer have to make the findings as outlined above.

Revenue Impact:

While Sections 1 and 4 will not change revenue collections, there will be a negative impact to the General Revenue Fund apportionment from income tax collections. For each of the fiscal years beginning on July 1, 2013 (FY14) and July 1, 2014 (FY15), \$60,000,000 will be apportioned to the Oklahoma State Capital Building Repair and Restoration Fund from income tax revenues.

Sections 2 and 3 - 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 proposal would provide for a top marginal tax rate of 5.25% for tax years 2013 and 2014, 5.0% for tax year 2015 and potentially 4.85% for tax year 2016 and all subsequent tax years.

The table below shows the estimated effect of the top rate decreasing to 5.0% for tax year 2015 and 4.85% for tax year 2016 and all subsequent tax years. This assumes the State Board of Equalization will make a finding at their February 2015 meeting authorizing a top marginal income tax rate of 4.85% for tax year 2016.

FY EFFECT INCOME TAX TOP RATE CHANGE (top rate 5.0% in 2015 & 4.85% thereafter)				
		Top Rate	Fiscal Impact	
Tax year 2015		5.00%	\$ (136,089,000)	
Tax year 2016		4.85%	\$ (237,236,000)	
Tax year 2017		4.85%	\$ (252,650,000)	
FY CONVERSION			FY15	FY16
Tax Year 2015	\$ (136,089,000)		\$ (54,436,000)	\$ (81,653,000)
Tax Year 2016	\$ (237,236,000)			\$ (94,894,000)
Tax Year 2017	\$ (252,650,000)			\$ (101,060,000)
FY TOTAL			\$ (54,436,000)	\$ (176,547,000)
Source: Oklahoma Individual Income Tax Micro-Simulation Model.				