OKLAHOMA TAX COMMISSION

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

DATE OF IMPACT STATEMENT: April 16, 2014

BILL NUMBER: HB 2643 **STATUS AND DATE OF BILL:** CS for Engrossed 4/1/14

AUTHORS: House Denny Senate Halligan

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

PROPOSAL: Amendatory
HB 2643 amends 68 O.S. §2357.206 which relates to the *Credit for Contributions to a Scholarship-Granting Organization* and the *Credit for Contributions to an Educational Improvement Grant Organization* by sunsetting the credit January 1, 2017, and adding Subchapter S corporations to those entities that are eligible for the credit. This measure authorizes the allocation of the credit to partners, shareholders, members and other equity owners of pass-through entities. Tax credits which are allocated are no longer limited to One Thousand Dollars ($1,000) for single individuals or Two Thousand Dollars ($2,000) for married taxpayers filing jointly. This measure increases the *Credit for Contributions to a Scholarship-Granting Organization* to seventy-five percent (75%) of the amount donated for any taxpayer who makes a commitment to contribute the same amount for two (2) additional years.

EFFECTIVE DATE: January 1, 2015

REVENUE IMPACT:

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

FY 15: -0-
FY 16: -0-

ADMINISTRATIVE IMPACT:

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

FY 15: -0-

Apr. 17, 2014 — Rick Miller — mck
DATE — DIVISION DIRECTOR

4-17-14 — Reece Womack
DATE — REECE WOMACK, ECONOMIST

4/17/14 — Dawn Cash
DATE — FOR THE COMMISSION

ATTACHMENT TO FISCAL IMPACT - HB 2643[CS for Engrossed]   Prepared April 16, 2014

HB 2643 proposes to amend 68 O.S. §2357.206 which relates to the *Credit for Contributions to a Scholarship-Granting Organization* and the *Credit for Contributions to an Educational Improvement Grant Organization.*

CURRENT LAW:

Under current law the *Credit for Contributions to a Scholarship-Granting Organization* for individual taxpayers is fifty percent (50%) of the amount donated not to exceed One Thousand Dollars ($1,000) for each taxpayer or Two Thousand Dollars ($2,000) for married taxpayers filing jointly; aggregate credits cannot exceed $1.75 million annually. The credit for corporate income tax filers is fifty percent (50%) of the total contributions made during the taxable year not to exceed One Hundred Thousand Dollars ($100,000) per entity; aggregate credits cannot exceed $1.75 million annually.

The *Credit for Contributions to an Educational Improvement Grant Organization* is fifty percent (50%) of the amount donated with similar limits on a per taxpayer basis as the credit for donations to a scholarship-granting organization. The aggregate credits cannot exceed $1.5 million annually. This credit increases to seventy-five percent (75%) of the amount donated for any taxpayer who makes a commitment to contribute the same amount for two (2) additional years.

Contributions could be made beginning August 26, 2011; however, credits for contributions made in 2011, 2012 and 2013 cannot be claimed until tax year 2013 returns are filed.

PROPOSED LAW:

This measure adds Subchapter S corporations to those entities that are eligible for the credit. This measure authorizes the allocation of the credit to partners, shareholders, members and other equity owners of pass-through entities.[1] The credits claimed based on allocations to partners, shareholders, members and other equity owners of pass-through entities will no longer be limited to One Thousand Dollars ($1,000) for each taxpayer or Two Thousand Dollars ($2,000) for married taxpayers filing jointly.

This measure increases the *Credit for Contributions to a Scholarship-Granting Organization* to seventy-five percent (75%) of the amount donated for any taxpayer who makes a commitment to contribute the same amount for two (2) additional years.

The aggregate credits (for both corporate and individual taxpayers) cannot exceed $3.5 million annually for donations to an eligible scholarship-granting organization and $1.5 million annually for donations to an educational improvement grant organization.

This measure sunsets this credit effective for tax years beginning on or after January 1, 2017.

REVENUE IMPACT:

No change to revenue is anticipated as the annual statutory caps remain unchanged.

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[1] Administratively, the allocation of tax attributes to partners, shareholders, members and other equity owners of pass-through entities is already allowed.