OKLAHOMA TAX COMMISSION

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

DATE OF IMPACT STATEMENT: February 12, 2014

BILL NUMBER: HB 3291

STATUS AND DATE OF BILL: Subcommittee Recommendation 2/11/14

AUTHORS: House Osborn Senate n/a

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

PROPOSAL: Amendatory and Repealer

HB 3291 proposes to enact a phased-in income tax rate reduction beginning with tax year 2015.

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: Projected revenue decrease of $108,005,000
FY 16: Projected revenue decrease of $337,548,000
FY 17: Projected revenue decrease of $515,591,000
FY 18: Projected revenue decrease of $715,988,000

ADMINISTRATIVE IMPACT:

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

FY 15: No additional cost or savings are anticipated doe to this proposed legislation.

Feb. 13, 2014
DATE

Rick Miller
DIVISION DIRECTOR

mck

2-13-14
DATE

REECE WOMACK, ECONOMIST

2/13/14
DATE

FOR THE COMMISSION

ATTACHMENT TO FISCAL IMPACT - HB 3291 [SCR] Prepared February 12, 2014

HB 3291proposes to enact a phased-in income tax rate reduction beginning with tax year 2015.

Section 1 (68 O.S. § 2355) strikes language that was codified in HB 2032[1], language that the Oklahoma Supreme Court ruled unconstitutional in *Fent v. Fallin (*2013 OK 107, __ P.3d __).

Section 2 - Amends 68 O.S. § 2355 by proposing a phased-in income tax rate reduction, beginning with tax year 2015, as follows:

Tax Year	Top Rate
2015	4.75%
2016	4.5%
2017	4.25%
2018	4.0%

FY EFFECT INCOME TAX TOP RATE CHANGE2

	Top Rate	Fiscal Impact
Tax Year 2015	4.75%	$(270,012,000)
Tax year 2016	4.50%	$(438,852,000)
Tax year 2017	4.25%	$(630,699,000)
Tax year 2018	4.00%	$(843,922,000)

FY CONVERSION		FY15	FY16	FY17	FY18
Tax Year 2015	$(270,012,000)	$(108,005,000)	$(162,007,00)		
Tax Year 2016	$(438,852,000)		$(175,541,00)	$(263,311,000)	
Tax Year 2017	$(630,699,000)			$(252,280,000)	$(378,419,000)
Tax Year 2018	$(843,922,000)				$(337,569,000)
FY TOTAL		$(108,005,000)	$(337,548,00)	$(515,591,000)	$(715,988,000)

Source: Oklahoma Individual Income Tax Micro-Simulation Model.

With tax year 2018 being the last tax year of the phased in rate reduction, the full FY impact (revenue decrease in excess of $843,922,000) will occur in FY19.

Section 3 (68 O.S. § 2355.1E) repeals language that was codified in HB 2032[1], language that the Oklahoma Supreme Court ruled unconstitutional in *Fent v. Fallin (*2013 OK 107, __ P.3d __).

1 Oklahoma Session Laws - 2013 Section 253 - [HB 2032]
2 Tax years after 2018 are not estimated due to limitations in the Oklahoma Individual Income Tax Micro-Simulation Model.