

OKLAHOMA TAX COMMISSION

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

DATE OF IMPACT STATEMENT: February 6, 2015

BILL NUMBER: SB 576 STATUS AND DATE OF BILL: Introduced 1/22/15

AUTHORS: House n/a Senate Shortey

TAX TYPE (S): Franchise Tax SUBJECT: Repealer

PROPOSAL: Repealer

SB 576 proposes to repeal 68 O.S. §§1203 – 1204 which relates to the levy of franchise tax.

EFFECTIVE DATE: January 1, 2016

REVENUE IMPACT:

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

FY 16: -0-

FY 17: Projected decrease in franchise tax collections of \$2,671,000.

FY 18: Projected decrease in franchise tax collections of \$38,155,000.

ADMINISTRATIVE IMPACT:

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

FY 16: No additional cost or savings to the Tax Commission due to this proposed legislation.

Feb. 6, 2015

DATE

Rick Miller

DIVISION DIRECTOR

mck

2-6-15

DATE

Reece Womack

REECE WOMACK, ECONOMIST

2/6/15

DATE

Dan East

FOR THE COMMISSION

ATTACHMENT TO FISCAL IMPACT - SB 576 [Introduced] Prepared February 6, 2015

SB 576 proposes to repeal 68 O.S. §§1203 – 1204 which relates to the levy of franchise tax.

Under current law, every corporation, association, joint-stock company and business trust is required to pay franchise tax of \$1.25 per \$1,000 of capital employed in Oklahoma. If the tax is less than or equal to \$250.00, no tax is required to be remitted to the Oklahoma Tax Commission. The registered agent fee for foreign corporations under 18 O.S. § 1142 is also remitted to the Tax Commission on the franchise tax form. Franchise tax is due, at the election of the taxpayer, on either the corporate income tax due date or July 1, and is computed on the preceding income tax year's balance sheet.

This measure repeals the levy of franchise tax effective January 1, 2016.¹

To estimate the impact of this measure, franchise tax returns filed in 2014 were analyzed. Franchise tax remittances equaled \$38.155 million, so it is assumed revenue collections will decrease by \$38.155 million² for tax year 2016 and subsequent tax years.³ The following table projects the decrease in franchise tax collections by fiscal year.

FISCAL YEAR	Projected Decrease in Revenue
FY17	\$2,671,000
FY18	\$38,155,000

¹ The registered agent fee for foreign corporations (18 O.S. § 1142) is not affected by this proposal.

² No growth was factored into this analysis since franchise tax was under moratorium for three (3) years and 2014 was the first year returns were required to be filed post moratorium.

³ Franchise tax returns based on the taxpayer's 2015 income tax year balance sheet will be filed after the repeal date (January 1, 2016).