

OKLAHOMA TAX COMMISSION

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

DATE OF IMPACT STATEMENT: February 11, 2015

BILL NUMBER: SB 624 STATUS AND DATE OF BILL: Introduced 1/22/15

AUTHORS: House n/a Senate Griffin

TAX TYPE (S): Income Tax SUBJECT: Exemption

PROPOSAL: Amendatory

SB 624 proposes to amend 68 O.S. § 2358 by allowing an exemption of one-hundred percent (100%) of income earned by persons that are either under contract as a classroom teacher or employed as a paraprofessional by a public or private school (prekindergarten through grade 12) in Oklahoma. The exemption is limited to income earned pursuant to employment at a public or private school and is effective for tax year 2016 and subsequent tax years.

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: Projected decrease in income tax collections of \$26,945,000.

FY 17: Projected decrease in income tax collections of \$67,363,000.

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 13, 2015
DATE

Rick Miller
DIVISION DIRECTOR

mck

2-13-15
DATE

Reece Womack
REECE WOMACK, ECONOMIST

2/13/15
DATE

Dan Case
FOR THE COMMISSION

ATTACHMENT TO FISCAL IMPACT - SB 624 [Introduced] Prepared: February 11, 2015

SB 624 proposes to amend 68 O.S. § 2358 by allowing an exemption of one-hundred percent (100%) of income earned by persons that are either under contract as a classroom teacher or employed as a paraprofessional¹ by a public or private school (prekindergarten through grade 12) in Oklahoma. The exemption is limited to income earned pursuant to employment at a public or private school and is effective for tax year 2016 and subsequent tax years.

To develop this fiscal impact, an estimate of the number of teachers and paraprofessionals in both public and private schools was determined, as well as their average salaries. Recent data (income and number) for Oklahoma public school teachers² is readily available through the Oklahoma State Board of Education. Private school data and statistics are available from national sources only and are not as recent as the public school data³.

Average salary levels vary between public and private schools. Based on the aforementioned data sources, Table 1 below outlines the number of public and private school teachers and paraprofessionals, their average salaries and the estimated amount of exempt income. The amount of exempt income is then multiplied by an effective income tax rate of 3.05% to determine the fiscal impact for tax year 2016.

Table 1 – Estimate of Exempting 100% of Teacher and Other Paraprofessional Income				
<u>Teachers in Oklahoma</u>	Number	Average Salary	Exemption %	Exempt Amount
Public- Regular	37,104	\$44,118	100%	\$1,636,954,000
Public- Special Education	4,451	\$46,680	100%	\$207,773,000
Private- Regular (estimate)	2,625	\$35,282	100%	\$ 92,615,000
Private- Special Education ⁴			100%	-
			Sub Total	\$1,937,342,000
<u>Other Staff</u>				
Public- Certified Staff	3,682	\$48,339	100%	\$177,984,000
Public- Counselors	1,588	\$49,807	100%	\$79,094,000
Private- Certified Staff (estimate)	254	\$38,657	100%	\$9,819,000
Private- Counselors (estimate)	110	\$39,831	100%	\$4,381,000
			Sub Total	\$271,278,000
			Total exempt	\$ 2,208,620,000
			Effective tax rate	3.05%
			Estimated fiscal impact	\$ 67,363,000

With a one hundred percent (100%) exemption available, it is expected that changes to withholding and estimated tax payments would occur. Therefore it is estimated that for FY16 the decrease in income tax collections would be \$26,945,000 and for FY17 the decrease in income tax collections is projected to be \$67,363,000.

¹ For purposes of this analysis, counselors and other certified staff were considered paraprofessional eligible for the exemption. The definition of paraprofessional is unclear and some paraprofessional staff may not be included in the data from the Oklahoma State Board of Education.

² Office of Educational Quality & Accountability (OEQA), Oklahoma State Board of Education

³ Snyder, T.D., and Dillow, S.A. (2013). *Digest of Education Statistics 2012 (NCES 2014-015)*. Tables 74, 78 and 87. National Center for Education Statistics, Institute of Education Sciences, U.S. Department of Education. Washington, DC.

⁴ No data is available on the number of or salaries of special education teachers in Oklahoma private schools.