

OKLAHOMA TAX COMMISSION

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

DATE OF IMPACT STATEMENT: January 27, 2016

BILL NUMBER: SB 957 STATUS AND DATE OF BILL: Introduced 1/4/16

AUTHORS: House n/a Senate Sharp

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

PROPOSAL: Amendatory

SB 957 proposes to maintain the current top marginal individual income tax rate of 5.00% through 2016 and 2017 and potentially reduce the top marginal individual income tax rate to 4.85%, beginning with tax year 2018 and subsequent tax years, by amending 68 O.S. §2355.1G which provides a trigger mechanism contingent upon certain revenue growth.

EFFECTIVE DATE: November 1, 2016

REVENUE IMPACT:

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

FY 17: -0-

FY 18: Unknown

ADMINISTRATIVE IMPACT:

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

FY 17: None

Jan. 29, 2016
DATE

Rick Miller
DIVISION DIRECTOR

mck

1-29-16
DATE

Reece Womack
REECE WOMACK, ECONOMIST

1/31/16
DATE

Dan Case
FOR THE COMMISSION

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CURRENT LAW:

Under current law, the top marginal individual income tax rate of 5% went into effect for tax year 2016¹, with a trigger mechanism in place to lower the top marginal individual income tax rate to 4.85%. In order to trigger the 4.85% rate, the top marginal individual income tax rate of 5% had to have been in effect. The State Board of Equalization, at the December 2016 meeting, will have to make a preliminary finding that the Board anticipates that a finding will be made at the February 2017 meeting that the estimated growth in General Revenue Collections for the next FY (FY18) is equal to or greater than the estimated cost of decreasing the top marginal individual income tax rate to 4.85% for the tax year beginning the second subsequent January (tax year 2018).

The State Board of Equalization will then have to certify at the February 2017 meeting that the estimated growth in General Revenue Collections for FY18 will be equal to or greater than the estimated cost of decreasing the top marginal individual income tax rate to 4.85% for the tax year 2018. If the State Board of Equalization makes a finding at the December 2016 meeting that the Board anticipates that a finding will be made at the February 2017 meeting that the estimated growth in General Revenue Collections for the next FY18 is less than the estimated cost of decreasing the top marginal individual income tax rate to 4.85% for the tax year 2018, the income tax rate will remain at 5%. These procedures 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.

PROPOSED LAW:

In addition to the trigger mechanism of determining the estimated cost of decreasing the top marginal individual income tax rate from 5% to 4.85% as outlined above, this measure proposes to also require a 4% growth in the revised General Revenue Fund estimate for the then current fiscal year.

REVENUE IMPACT:

Under current law, Oklahoma has a progressive individual income tax rate structure with the top marginal tax rate at 5.0% for tax year 2016 and 2017, then potentially to 4.85% for subsequent tax years, contingent upon certain revenue growth as outlined above.

This measure proposes to make the reduction of the top marginal individual income tax rate from to 4.85% more difficult to achieve than from current law. Therefore, since it is not known whether the 4.85% will take effect for tax year 2018 and subsequent tax years the estimated revenue impact for FY17 is zero and for FY18 would be unknown.

¹ Finding of the State Board of Equalization – December 18, 2014; *State Board of Equalization Proposed FY-2016 Revenue Certification* - Oklahoma Office of Management and Enterprise Services.