

# OKLAHOMA TAX COMMISSION

## REVENUE IMPACT STATEMENT FIRST REGULAR SESSION, FIFTY-SEVENTH OKLAHOMA LEGISLATURE

DATE OF IMPACT STATEMENT: February 14, 2019

BILL NUMBER: SB 180 STATUS AND DATE OF BILL: Introduced 1/7/19

AUTHORS: House n/a Senate Stanislawski

TAX TYPE (S): Income Tax SUBJECT: Credit

PROPOSAL: Amendatory

SB 180 proposes to amend 68 O.S. § 2357.206 which relates to the Credit for Contributions to a Scholarship-Granting Organization / Credit for Contributions to an Educational Improvement Grant Organization. This measure proposes to increase the annual credit cap for contributions to both eligible scholarship-granting organizations and educational improvement grant organizations beginning with tax year 2019.

EFFECTIVE DATE: November 1, 2019

### REVENUE IMPACT:

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

FY 20: Unknown decrease in income tax revenues at this time

Feb. 15, 2019  
DATE

Rick Miller  
DIVISION DIRECTOR mck

2-15-2019  
DATE

Huan Gong  
HUAN GONG, ECONOMIST

2-15-19  
DATE

Tommy McInt  
FOR THE COMMISSION

*The estimated revenue impact provided herein is an estimate of the potential impact on the collection or apportionment of tax revenues affected by the proposed legislation. It is not intended to be an estimate of the overall fiscal impact on the state budget if the proposed legislation is enacted.*

SB 180 proposes to amend 68 O.S. § 2357.206 which relates to the Credit for Contributions to a Scholarship-Granting Organization / Credit for Contributions to an Educational Improvement Grant Organization. This measure proposes to increase the annual credit cap for contributions to both eligible scholarship-granting organizations and educational improvement grant organizations beginning with tax year 2019.

**Current Law:**

Under current law, an income tax credit is allowed for contributions to an eligible scholarship-granting organization and an eligible educational improvement grant organization. The credit is generally 50%<sup>1</sup> of the amount contributed, not to exceed \$1,000 for an individual (\$2,000 for a married filing joint return) or \$100,000 for a legal business entity. Tax credits which are allocated to an individual(s) by a pass-through entity are limited based on the total credit limitation of the pass-through entity and not by \$1,000 (or \$2,000) limitation for individuals. The credit may be carried over for three (3) succeeding taxable years.

The aggregate credits 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. If total combined credits claimed for contributions to one organization exceed the cap for that organization, credits not claimed for the other organization may be allocated to the first organization, but no more than \$5 million in total credits may be claimed annually.<sup>2</sup> If the Tax Commission determines the total combined credits claimed for contributions to both eligible scholarship-granting organizations and eligible educational improvement grant organizations exceed \$5 million, the Tax Commission shall determine the percentage of the contribution which establishes the proportionate share of the credit which may be claimed by any taxpayer so that the maximum credits authorized are not exceeded.<sup>3</sup>

**Proposed Law:**

Beginning with tax year 2019, this measure proposes to increase the annual credit cap for contributions to eligible scholarship-granting organizations from \$3.5 million to \$25 million, and for contributions to eligible educational improvement grant organizations from \$1.5 million to \$25 million.

**Revenue Impact:**

This measure allows a potential additional \$21.5 million in credits for contributions to a scholarship-granting organization and an additional \$23.5 million in credits for contributions to an educational improvement grant organization for tax year 2019. If total combined credits claimed for contributions to one organization exceed the cap for that organization, credits not claimed for the other organization may be allocated to the first organization, but no more than \$50 million in total credits may be claimed annually.

An unknown decrease in state revenue is expected for FY20.

<sup>1</sup> Taxpayers who make an eligible contribution and make a written commitment to contribute the same amount for an additional year, the credit will be 75% of the amount of the contributions for each year.

<sup>2</sup> For tax year 2018, total credits for both organizations totaled \$5.1 million.

<sup>3</sup> For tax year 2018, the percentage of the credit allowed for donations to a scholarship-granting organization is 91.1% and 100% of the credit is allowed for donations to eligible educational improvement grant organizations.