

OKLAHOMA TAX COMMISSION

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

DATE OF IMPACT STATEMENT: March 27, 2019

BILL NUMBER: SB 893 STATUS AND DATE OF BILL: Engrossed Bill 3/11/19

AUTHORS: House Worthen Senate Scott

TAX TYPE (S): Income Tax SUBJECT: Deduction

PROPOSAL: Amendatory

SB 893 proposes to amend 68 O.S. § 2358.5-1, by reinstating the income tax deduction for expenses incurred to provide care for a foster child, effective for tax year 2019¹. The proposal reinstates the \$5,000 income tax deduction for taxpayers filing a joint return and \$2,500 for taxpayers filing as married filing separate, for expenses incurred to provide care for a foster child.

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: Projected decrease of \$237,000 in income tax revenue.

Mar. 27, 2019
DATE

Rick Mullo
DIVISION DIRECTOR

mck

3-27-2019
DATE

Huan Gong
HUAN GONG, ECONOMIST

3-29-19
DATE

Jim 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.

¹ The income tax deduction for expenses incurred to provide care for a foster child was sunsetted effective for tax years beginning on or after January 1, 2018 as a result of the enactment of SB 1621 during the 2014 legislative session.

ATTACHMENT TO REVENUE IMPACT – SB 893[Engrossed] Prepared: March 27, 2019

SB 893 proposes to amend 68 O.S. § 2358.5-1, by reinstating the income tax deduction for expenses incurred to provide care for a foster child, effective for tax year 2019.

The proposal reinstates the \$5,000 income tax deduction for taxpayers filing a joint return and \$2,500 for taxpayers married filing separate. The deduction is available for taxpayers who contract with a child-placing agency, as defined in Section 402 of Title 10 of the Oklahoma Statutes, for expenses incurred to provide care for a foster child. This measure further requires that a taxpayer be under contract and provide a minimum of six (6) months of care regardless of the tax year during which the care occurred.² This measure also requires that if the care is provided for a time period of less than six (6) months, the deduction be prorated on a monthly basis.

Data from tax year 2016 indicates that 1,518 individual income tax returns claimed the deduction at an estimated tax expenditure of \$237,000. Assuming similar activity in tax year 2019, a potential decrease in income tax collections of \$237,000 for tax year 2019 is expected. No changes in withholding or estimated tax payments are anticipated. An estimated revenue decrease of \$237,000 is expected in FY20 when the 2019 income tax returns are filed.

² The application of the six (6) month rule in paragraph (1) may lead to confusion regarding eligibility to claim the deduction.