

OKLAHOMA TAX COMMISSION

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

DATE OF IMPACT STATEMENT: February 17, 2020

BILL NUMBER: SB 1600 STATUS AND DATE OF BILL: Introduced 1/16/20

AUTHORS: House n/a Senate Standridge

TAX TYPE (S): Income Tax SUBJECT: Other

PROPOSAL: Amendatory

SB 1600 proposes to amend 68 O.S. § 2358; gambling winnings included in federal adjusted gross income will be subtracted from federal adjusted gross income to calculate Oklahoma taxable income and net gambling winnings be added back to arrive at Oklahoma taxable income effective for tax year 2021 and subsequent tax years.

EFFECTIVE DATE: November 1, 2020

REVENUE IMPACT:

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

FY 21: None

FY 22: Estimated decrease in income tax collections in excess of \$9,483,000

Feb. 17, 2020
DATE

Rick Miller
DIVISION DIRECTOR

mck

2/17/2020
DATE

Huan Gong
HUAN GONG, ECONOMIST

2/17/2020
DATE

[Signature]
FOR THE COMMISSION

The 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.

ATTACHMENT TO REVENUE IMPACT - SB 1600 [Introduced] Prepared 1/31/20

SB 1600 proposes to amend 68 O.S. § 2358; gambling winnings included in federal adjusted gross income will be subtracted from federal adjusted gross income to calculate Oklahoma taxable income and net gambling winnings be added back to arrive at Oklahoma taxable income effective for tax year 2021 and subsequent tax years.

Under current law, for federal income tax purposes gambling winnings are included in federal adjusted gross income¹ and gambling losses are allowed as an itemized deduction, however the gambling losses allowed as an itemized deduction cannot be in excess of the reported gambling winnings. Itemized deductions that may be claimed to calculate Oklahoma taxable income are capped at \$17,000² effective for tax year 2018 and subsequent tax years. This does not allow, for Oklahoma income tax purposes, gambling losses in excess of the itemized deduction cap to be deducted to arrive at Oklahoma taxable income.

This measure proposes that gambling winnings included in federal adjusted gross income be subtracted from federal adjusted gross income to calculate Oklahoma taxable income and net gambling winnings³ be added back to arrive at Oklahoma taxable income. Taxpayers that currently itemize and claim gambling losses up to the itemized cap level may be able to deduct the same losses twice. Also, this measure allows taxpayers who do not claim itemized deductions to now reduce their taxable income by taking the standard deduction *and* deducting their gambling losses, which is not allowed under current law.

Legislation⁴ in 2019 and 2020 was introduced relating to itemized deductions allowable on an Oklahoma income tax return by exempting gambling losses deductible for federal income tax purposes from the current Oklahoma itemized deduction cap of \$17,000. The estimated impact for those two measures⁵ which allowed full deductibility as an itemized deduction of gambling losses was expected to be a projected revenue loss of \$9,483,000. Under the proposal in SB 1600, the potential revenue loss will be in excess of \$9,483,000 since this measure allows all taxpayers to deduct their gambling losses, not just taxpayers who itemize.

No changes to withholding our estimated tax is expected so the full impact should occur in FY22 when the 2021 income tax returns are due to be filed.

¹ Federal Adjusted Gross Income is the starting point for the calculation of Oklahoma taxable income.

² The cap on itemized deductions was enacted for tax year 2018 and subsequent tax years by HB1011XX during the Second Extraordinary Session, Fifty-Sixth Oklahoma Legislature. Charitable contributions and medical expenses deductible for federal income tax purposes are not be subject to the \$17,000 cap.

³ Net gambling winnings are not defined; losses in excess of winnings can create negative income for income tax purposes. Data is not available to ascertain gambling losses that are in excess of gambling winnings.

⁴ 2019 legislative session HB 2563 (Rep. Wallace Rep. Loring and Sen. Paxton); 2020 Session SB 1247 (Sen. Bergstrom)

⁵ The estimate was derived using the Oklahoma Individual Income Tax Micro Simulation Model.