

# OKLAHOMA TAX COMMISSION

## REVENUE IMPACT STATEMENT SECOND REGULAR SESSION, FIFTY-EIGHTH OKLAHOMA LEGISLATURE

DATE OF IMPACT STATEMENT: February 12, 2022

BILL NUMBER: HB 3085 STATUS AND DATE OF BILL: Introduced 1/10/2022

AUTHORS: House Hilbert Senate n/a

TAX TYPE (S): Income Tax SUBJECT: Deduction

PROPOSAL: Amendatory

HB 3085 proposes to amend 68 O.S. § 2358 (E) (3)(b) 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, effective for tax year 2018 and subsequent tax years. This measure also amends 68 O.S. §227 relating to the time period to claim an income tax refund.

EFFECTIVE DATE: January 1, 2022 - Emergency

### REVENUE IMPACT:

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

FY 22: Unknown decrease in income tax collections

FY 23: Unknown decrease in income tax collections

Feb. 22, 2022  
DATE

Rick Miller  
DIVISION DIRECTOR

mk

2/22/2022  
DATE

Huan Gong  
HUAN GONG, ECONOMIST

2/22/2022  
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 – HB 3085 [Introduced] Prepared 2/12/2022

HB 3085 proposes to amend 68 O.S. § 2358 (E) (3)(b) 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, effective for tax year 2018 and subsequent tax years. This measure also amends 68 O.S. §227 relating to the time period to claim an income tax refund.

Under current law, charitable contributions and medical expenses deductible for federal income tax purposes are not subject to the \$17,000 cap<sup>1</sup>. This measure would allow full deductibility as an itemized deduction of gambling losses deductible for federal income tax purposes.<sup>2</sup> This measure as proposed would be effective retroactively to tax year 2018<sup>3</sup>.

The amendment to 68 O.S. §227 would allow for a 4 year statute of limitations for taxpayers who are eligible for a refund as a result of the amendment to Section 2358(E)(3)(b). This limited 4 year statute of limitations is effective for tax year 2018 and all subsequent tax years.

The estimated impact for allowing full deductibility of gambling losses as an itemized deduction is a projected revenue loss as outlined in the chart below for tax years 2018 through 2021.<sup>4</sup>

Tax Year	Decrease in Collections
2018	-\$7,197,000
2019	-\$7,538,000
2020	-\$7,992,000
2021	-\$7,713,000

The due dates for 2018, 2019 and 2020 income tax returns have passed; amended returns would be required to claim the itemized deductions as outlined in this proposal. Depending upon the date of enactment of HB 3085, tax year 2021 returns may also have to be amended if already filed. The decline in income tax collections for tax years 2018-2021 is expected to be \$30.44 million. Depending upon the timing of the filing of amended returns for tax years 2018 through 2021, an unknown decrease in revenue should occur beginning in FY22 and subsequent FYs. No changes to withholding or estimated tax payments is expected.

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<sup>1</sup> 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.

<sup>2</sup> For federal income tax purposes gambling winnings are included in federal adjusted gross income 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.

<sup>3</sup> 68 O.S. § 227 generally provides for a 3 year statute of limitations for income tax refunds. Under current law tax year 2018 returns were due April 15, 2019; therefore tax year 2018 refund claims must be filed by April 15, 2022.

<sup>4</sup> Oklahoma Tax Commission - *Revenue Impact Statement for Introduced version of SB 357 First Regular Session, Fifty-Eighth Oklahoma Legislature*; January 12, 2021 [SB357 INT FI.PDF \(state.ok.us\)](#). The estimate of this measure was derived using the Oklahoma Individual Income Tax Micro Simulation Model.