

OKLAHOMA TAX COMMISSION

REVENUE IMPACT STATEMENT AND/OR ADMINISTRATIVE IMPACT STATEMENT SECOND REGULAR SESSION, FIFTY-EIGHTH OKLAHOMA LEGISLATURE

DATE OF IMPACT STATEMENT: March 24, 2022

BILL NUMBER: HB 3693 STATUS AND DATE OF BILL: Engrossed 3/21/2021

AUTHORS: House; McDugle, et al Senate: Daniels

TAX TYPE (S): Income SUBJECT: Exemption

PROPOSAL: Engrossed HB 3693 proposes to exempt from Oklahoma taxable income 100% of retirement benefits received by an individual from any component of the Armed Forces of the United States effective for tax year 2023 and subsequent tax years.

EFFECTIVE DATE: January 1, 2023

REVENUE IMPACT:

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

FY 23: None

FY 24: Estimated decrease in income tax collections of \$5.677 million.

Mar. 29, 2022
DATE

Rick Miller
DIVISION DIRECTOR

mk

3/29/2022
DATE

Huan Gong
HUAN GONG, ECONOMIST

3/30/2022
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 3693 [Engrossed] Prepared 3/24/2022

Engrossed HB 3693 proposes to exempt from Oklahoma taxable income 100% of retirement benefits received by an individual from any component of the Armed Forces of the United States effective for tax year 2023 and subsequent tax years.

Under current law, an income tax exemption is allowed for military retirement benefits from any component of the Armed Forces of the United States. The amount of the exemption is the greater of 75% of the military retirement benefit or \$10,000, but may not exceed the amount included in the taxpayer's federal adjusted gross income.

It is estimated an additional \$186.1 million¹ of retirement benefits (income) would be exempt from Oklahoma income tax. Applying an effective income tax rate of 3.05% results in an estimated decrease in annual income tax collections of \$5.677 million beginning with tax year 2023. No changes to estimated tax payments or withholding is anticipated; it is expected that the full impact of this measure will occur in FY24 when the 2023 income tax returns are filed.

¹ Analysis of tax year 2019 Income Tax Simple Statistics; \$186,129,663 additional retirement benefits would be exempt from Oklahoma income tax.