

Fiscal Impact
1st Session of the 57th Legislature

Bill No.:
Version:
Author:
Date:

HB 2502
ENGR
Sen. Montgomery
04/01/2019

Fiscal Analysis

OKLAHOMA TAX COMMISSION

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

DATE OF IMPACT STATEMENT: March 26, 2019

BILL NUMBER: HB 2502 STATUS AND DATE OF BILL: Engrossed Bill 3/11/19

AUTHORS: House McCall & Hasenbeck Senate Montgomery

TAX TYPE (S): Income Tax SUBJECT: Credit

PROPOSAL: New Law

HB 2502 proposes to enact a new income tax credit of up to \$1000 for classroom expenses and teacher certification fees incurred by a classroom teacher in a common school. Classroom teacher means a person certified by the State Department of Education who at the time of the expenditure for an eligible classroom item was actively engaged in performing classroom instruction or who reasonably anticipates being engaged in performing classroom instruction in any grade from pre-kindergarten through twelfth grade in any common school of the state. This credit is effective for tax year 2020 and subsequent tax years.

EFFECTIVE DATE: January 1, 2020

REVENUE IMPACT:

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

FY 20: -0-

FY 21: Projected decrease of \$51.1 million in income tax revenue.

<u>Mar. 26, 2019</u>	<u><i>Rick Miller</i></u>	
DATE	DIVISION DIRECTOR	<u>mck</u>
<u>3-27-2019</u>	<u><i>Huan Gong</i></u>	
DATE	HUAN GONG, ECONOMIST	
<u>3-29-19</u>	<u><i>Jim Miller</i></u>	
DATE	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.

ATTACHMENT TO REVENUE IMPACT - HB 2502 [Engrossed] Prepared: March 26, 2019

HB 2502 proposes to enact a new income tax credit of up to \$1000¹ for classroom expenses and teacher certification fees incurred by a classroom teacher in a common school². Classroom teacher means a person certified by the State Department of Education who at the time of the expenditure for an eligible classroom item was actively engaged in performing classroom instruction or who reasonably anticipates being engaged in performing classroom instruction in any grade from pre-kindergarten through twelfth grade in any common school of the state. This credit is effective for tax year 2020 and subsequent tax years.

An analysis of data obtained from the Oklahoma State Department of Education³ indicates that an estimated 50,593 public school⁴ teachers could be eligible for the credit. Eligible classroom expenses are defined as amounts purchased and includes paper, pencils, pens, erasers, safety scissors, glue, glue sticks, adhesive tapes, crayons, colored pencils, colored markers, construction paper, poster board, arts and crafts supplies, notebooks, rulers, protractors, and similar supplies used and useful in a classroom⁵ for providing instruction to students. Eligible teacher certification fee is the fee imposed pursuant to the provisions of Title 70 of the Oklahoma Statutes or an administrative rule of the State Department of Education required to be paid in order to obtain or maintain the ability to provide classroom instruction in a public school of this state.

For purposes of this analysis, it is assumed that all eligible public school teachers would avail themselves of the maximum amount of the credit. This results in a potential decrease in income tax collections of at least \$51.1 million for tax year 2020. No changes in withholding or estimated tax payments are anticipated. An estimated revenue decrease of \$51.1 million is expected in FY21 when the 2020 income tax returns are filed.

¹ The credit is up to \$2,000 for those filing a joint return.

² "Common school" is not defined.

³ Oklahoma State Department of Education - Accreditation Standards and School Personnel Records Division – 2018-2019 Certified Personnel Report on Professional Staff Distribution by Job

⁴ It is unclear whether this credit is available to teachers in private schools.

⁵ Single items of tangible personal property with a retail sales price in excess of \$100 do not qualify for the credit.