

OKLAHOMA TAX COMMISSION

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

DATE OF IMPACT STATEMENT: March 19, 2021

BILL NUMBER: HB 2041 **STATUS AND DATE OF BILL:** Engrossed 3/11/21

AUTHORS: House McCall et al Senate Daniels

TAX TYPE (S): Income **SUBJECT:** Deduction

PROPOSAL: New Law and Amendatory

Beginning with tax year 2022, Engrossed HB 2041 proposes to:

- Section 1: Enact an income tax credit effectively reducing the individual income tax levied under 68 O.S. § 2355.
- Section 2: Amend the Earned Income Tax Credit under 68 O.S. § 2357.2 to make the credit refundable.
- Section 3: Eliminate the current \$1,000 personal exemption for taxpayers with a filing status of single or married filing separate return filing status with federal adjusted gross income of \$50,000 or more, and taxpayers with a filing status of married filing joint return, head of household or qualifying widow or widower with federal adjusted gross income of \$100,000 or more.

EFFECTIVE DATE: January 1, 2022

REVENUE IMPACT:

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

FY 22: Estimated decrease in revenue of \$71.1 million.

FY 23: Estimated decrease in revenue of \$180.8 million.

Mar. 22, 2021
DATE

Rick Miller
DIVISION DIRECTOR

mck

3/22/2021
DATE

Huan Gong
HUAN GONG, ECONOMIST

3/22/21
DATE

JRM
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 FISCAL IMPACT - HB 2041 [Engrossed] Prepared 3/19/21

Beginning with tax year 2022, Engrossed HB 2041 proposes to:

- Section 1: Enact an income tax credit effectively reducing the individual income tax levied under 68 O.S. § 2355.
- Section 2: Amend the Earned Income Tax Credit (EITC) under 68 O.S. § 2357.2 to make the credit refundable.
- Section 3: Eliminate the current \$1,000 personal exemption for taxpayers with a filing status of single or married filing separate return filing status with federal adjusted gross income of \$50,000 or more, and taxpayers with a filing status of married filing joint return, head of household or qualifying widow or widower with federal adjusted gross income of \$100,000 or more.

The proposed income tax credit in Section 1 is based on filing status and is constructed to reflect a decrease in each existing nominal rate by one quarter of a percentage point. This measure proposes a base credit of \$18 for single or married filing separate filers and a base credit of \$30.50 for those filing as married filing joint; head of household or qualifying widow. The credit for income above the base tax calculation is 0.25% for all filers.¹ After the tax is calculated under the current rate structure, the credit is applied to reduce the income tax liability. The credit is non-refundable and may not be carried over.

The revenue impact of this proposal (all three Sections) was estimated using the Oklahoma Individual Income Tax Micro Simulation Model. The table below reflects the FY impact:

<u>FY EFFECT</u>				
Tax year 2022	-\$177,671,000			
Tax year 2023	-\$185,370,000			
Tax year 2024	-\$194,207,000			
FY CONVERSION		FY22	FY23	FY24
Tax year 2022	-\$177,671,000	-\$71,068,000	-\$106,603,000	
Tax year 2023	-\$185,370,000		-\$74,148,000	-\$111,222,000
Tax year 2024	-\$194,207,000			-\$77,683,000
	FY TOTAL	-\$71,068,000	-\$180,751,000	-\$188,905,000
Source: Oklahoma Individual Income Tax Micro-Simulation Model.				

¹ The credit for 511NR filers conforms to the 511NR filers tax calculation methodology outlined in 68 O.S. § 2362.