

OKLAHOMA TAX COMMISSION

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

DATE OF IMPACT STATEMENT: March 11, 2021

BILL NUMBER: HB 2089 **STATUS AND DATE OF BILL:** Engrossed 3/9/21

AUTHORS: House McCall, O'Donnell, Phillips & Boles Senate McCortney

TAX TYPE (S): Income Tax **SUBJECT:** Credit

PROPOSAL: New Law

Engrossed HB 2089 proposes to enact an income tax credit of up to \$25,000 annually for physicians related to their income from the practice of medicine or osteopathic medicine in rural areas of Oklahoma beginning with tax year 2022.

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: Unknown decrease in income tax revenue.

FY 23: Unknown decrease in income tax revenue.

Mar. 12, 2021
DATE

Rick Miller
DIVISION DIRECTOR

mck

3/12/2021
DATE

Huan Gong
HUAN GONG, ECONOMIST

3/17/21
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.

Engrossed HB 2089 proposes to enact an income tax credit of up to \$25,000 annually for physicians related to their income from the practice of medicine or osteopathic medicine in rural areas of Oklahoma beginning with tax year 2022.

In order to qualify for the tax credit, a doctor (medical doctor or osteopathic physician) must be licensed in this state¹, either on or after the effective date of this measure or at any time within the period 2 years prior to the effective date of this act, but not earlier than January 1, 2020, have graduated from a college of medicine or osteopathic medicine located in this state or have completed his or her residency in this state, and have a primary residence located within the same county as the rural area where the compensation qualifying for the credit was earned or whose primary residence is located within the jurisdiction of a federally recognized tribe and is directly employed by a tribally owned or operated health facility or federal Indian Health Service facility.² The qualifying doctor must maintain the primary residence either within the county or within the jurisdiction of the federally recognized tribe for the entire taxable year.

The credit is available for a period of 5 years.³ For purposes of the proposed credit, rural area is defined as *any municipality or unincorporated location in Oklahoma which has a population not exceeding 25,000⁴ as determined by the most recent Federal Decennial Census, and is at least 25 miles from the boundary of the nearest municipality in Oklahoma with a population exceeding 25,000 as determined by the most recent Federal Decennial Census.* This credit will not be available or claimed for any taxable year following the year when the Oklahoma Tax Commission calculates an estimate of the cumulative total of taxes forgone is in excess of \$1 million.⁵

Revenue Impact:

Based on the data available, it is difficult to estimate the number of physicians that will qualify for the proposed credit. Changes to withholding or estimated tax payments are expected; therefore, an unknown decrease in income tax revenue would occur in FY22.⁶

¹ It is unclear if a doctor that renews a license after the effective date of this act could become eligible for the tax credit.

² This measure does not require doctors eligible for this credit to be new to the rural area. This income tax credit is available to those already meeting the qualifications.

³ If the Tax Commission determines the cumulative total credits claimed for a taxable year exceed \$1 million, no tax credits will be allowed the following year, resulting in taxpayers potentially not receiving the credit for all 5 years.

⁴ Oklahoma City, Tulsa, Norman, Broken Arrow, Lawton, Edmond, Moore, Midwest City, Enid, Stillwater, Muskogee, Bartlesville, Shawnee, Owasso, and Ponca City are the only municipalities in Oklahoma with population greater than 25,000. Source: 2010 Census Redistricting Data (Public Law 94-171) Summary File.

⁵ The effect of the cap is each year every qualifying taxpayer will get the tax credit, or none of the qualifying taxpayers will get the tax credit.

⁶ This measure proposes to cap the credits at \$1 million beginning with tax year 2022, but there is no mechanism to cap the credit for tax year 2022. Tax year 2022 returns are due in April 2023 and can be filed as late as October 2023, so the Oklahoma Tax Commission could not determine if the cap is exceeded until well into calendar year 2023. This would create uncertainty as to the availability of the credit for tax year 2023.