

OKLAHOMA TAX COMMISSION

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

DATE OF IMPACT STATEMENT: March 29, 2022

BILL NUMBER: HB 3353 **STATUS AND DATE OF BILL:** Engrossed 3/23/22

AUTHORS: House McCall et al Senate Allen

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

PROPOSAL: Amendatory and New Law

HB 3353 proposes to suspend the current existing eligibility requirements for the Sales Tax Relief Credit [68 O.S. § 5011 et. seq.] for tax years 2022-2024 and replace with new eligibility qualifications. For tax year 2025 and subsequent tax years, the eligibility rules that were in place for tax year 2021 are reinstated.

EFFECTIVE DATE: Emergency - upon passage and approval

REVENUE IMPACT:

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

FY 23: Decrease in income tax collections of \$155.5 million

Apr. 4, 2022

DATE

Rick Miller

DIVISION DIRECTOR

mk

4/4/2022

DATE

Huan Gong

HUAN GONG, ECONOMIST

4/5/2022

DATE

Joseph P. Mayers
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 3353 [Engrossed] Prepared 3/29/2022

HB 3353 proposes to suspend the current existing eligibility requirements for the Sales Tax Relief Credit [68 O.S. § 5011 et. seq.] for tax years 2022-2024 and replace with new eligibility qualifications. For tax year 2025 and subsequent tax years, the eligibility rules that were in place for tax year 2021 are reinstated.

Under current law, persons domiciled in this state during the entire calendar year and whose gross household income does not exceed \$20,000 for individuals and \$50,000 for those who claim a dependent, are at least sixty-five years old, or have a physical disability constituting a substantial handicap to employment may file a claim for sales tax relief. This relief is in the form of a refundable¹ income tax credit in the amount of **\$40 per qualified exemption**.

This measure alters the amount of the credit for tax years 2022-2024. The income bands and credit amounts are specified in the chart below.

| Gross Household Income Range | Credit - Any Person | Credit - Disabled, Elderly, or With Dependent |
|-------------------------------------|----------------------------|--|
| Less than or equal to \$30,000 | \$180 | \$180 |
| \$30,001 to \$35,000 | \$90 | \$180 |
| \$35,001 to \$40,000 | \$0 | \$180 |
| \$40,001 to \$45,000 | \$0 | \$135 |
| \$45,501 to \$50,000 | \$0 | \$90 |
| \$50,001 to \$55,000 | \$0 | \$45 |

This measure further limits the credit to any person 18 years of age or older.

In order to estimate the revenue impact, income tax return data for all filers in the income bands above, as well as those claiming the existing sales tax relief credit, and the number of returns with dependents were analyzed.² Additionally, Census data showing the population over 65 years of age was applied to the income tax return data where applicable to determine the number of returns for elderly filers since the proposed eligibility is expanded to higher income levels for those filers. Credit amounts were calculated per return, and factored up to account for joint filers. For purposes of this analysis, federal adjusted gross income is used as a proxy for gross household income.

The estimated amount of credits for tax year 2022 under this proposal are \$189,047,340. The tax year 2019 tax expenditure for the existing sales tax relief credit was \$33,538,520. Therefore the estimated net decrease in income tax collections under this proposal would be \$155.5 million for tax year 2022. No change to income tax withholding or estimated tax is expected so the revenue decrease of \$155.5 million should occur in FY23 when the tax year 2022 income tax returns are filed.

¹ The Sales Tax Relief Credit is refundable under 68 O.S. § 5013.

² Oklahoma Tax Commission –Simple Statistics Tax Year 2019