

OKLAHOMA TAX COMMISSION

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

DATE OF IMPACT STATEMENT: March 24, 2022

BILL NUMBER: HB 3418 **STATUS AND DATE OF BILL:** Engrossed 3/10/22

AUTHORS: House Fetgatter Senate Montgomery

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

PROPOSAL: New Law

Engrossed HB 3418 proposes to enact an income tax deduction based on the cost of business assets that are qualified property or qualified improvement property covered under Section 168 of the Internal Revenue Code, effective for tax year 2022 and subsequent tax years. The qualified property will be eligible for 100% Oklahoma bonus depreciation and may be deducted as an expense incurred by the taxpayer during the taxable year during which the property is placed in service.

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: Unknown decrease in income tax collections

FY 24: Unknown decrease in income tax collections

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 3418 [Engrossed] Prepared 3/24/2022

Engrossed HB 3418 proposes to enact an income tax deduction based on the cost of business assets that are qualified property or qualified improvement property covered under Section 168 of the Internal Revenue Code, effective for tax year 2022 and subsequent tax years. The qualified property will be eligible for 100% Oklahoma bonus depreciation and may be deducted as an expense incurred by the taxpayer during the taxable year during which the property is placed in service.¹

Under current law, Oklahoma allows depreciation based on the cost of business assets to the extent that depreciation is claimed for federal income tax purposes to compute Oklahoma taxable income. Depreciation is an annual income tax deduction that allows you to recover the cost or other basis of certain property over the time you use the property. It is an allowance for the wear and tear, deterioration, or obsolescence of the property². This measure would allow a deduction (bonus depreciation) of 100% of the cost of the qualifying property the year that the property was placed in service, beginning with tax year 2022.

Data is not available to estimate how much is expected to be expended on business assets that are qualified property or qualified improvement property eligible for bonus depreciation. There is an unknown projected decrease in tax collections for tax year 2022, beginning with FY23.

¹ There is no prohibition on continuing to claim depreciation to the extent that depreciation is claimed for federal income tax purposes to compute Oklahoma taxable income for those that elect to claim 100% bonus depreciation.

² *How to Depreciate Property* Publication 946 Department of the Treasury; Internal Revenue Service
<https://www.irs.gov/pub/irs-pdf/p946.pdf>