

OKLAHOMA TAX COMMISSION

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

DATE OF IMPACT STATEMENT: January 12, 2021

BILL NUMBER: SB 357 **STATUS AND DATE OF BILL:** Introduced 1/12/21

AUTHORS: House n/a Senate Paxton

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

PROPOSAL: Amendatory

SB 357 proposes to amend 68 O.S. § 2358 (E) (3)(b) relating to itemized deductions allowable on an Oklahoma income tax return by exempting gambling losses deductible for federal income tax purposes from the current Oklahoma itemized deduction cap of \$17,000, effective for tax year 2018 and subsequent tax years.

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 21: Unknown potential decrease in income tax collections.

FY 22: Unknown potential decrease in income tax collections; see attached analysis

Jan. 14, 2021
DATE

Rick Miller
DIVISION DIRECTOR

mk

1/20/2021
DATE

Huan Gong
HUAN GONG, ECONOMIST

1/25/2021
DATE

[Signature]
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 - SB 357 [Introduced] Prepared 1/12/21

SB 357 proposes to amend 68 O.S. § 2358 (E) (3)(b) relating to itemized deductions allowable on an Oklahoma income tax return by exempting gambling losses deductible for federal income tax purposes from the current Oklahoma itemized deduction cap of \$17,000, effective for tax year 2018 and subsequent tax years.

Under current law, charitable contributions deductible for federal income tax purposes and medical expenses deductible for federal income tax purposes are not subject to the \$17,000 cap¹. This measure would allow full deductibility as an itemized deduction of gambling losses deductible for federal income tax purposes.² This measure as proposed would be effective retroactively to tax year 2018; taxpayers affected by this measure would have until April 15, 2022, to file an amended 2018 income tax return and claim a refund, and until April 15, 2023, to file an amended 2019 income tax return.

The estimated impact³ for allowing full deductibility of gambling losses as an itemized deduction is a projected revenue loss as outlined in the chart below by tax year.

Tax Year	Decrease in Collections
2018	-\$7,197,000
2019	-\$7,538,000
2020	-\$7,992,000
2021	-\$7,713,000
2022	-\$8,155,000
2023	-\$8,683,000
2024	-\$9,236,000

Income tax returns for tax years 2018 and 2019 should already have been filed and amended returns would be required to claim the itemized deductions as outlined in this proposal. Depending upon the actual date of enactment, tax year 2020 returns may also have to be amended if already filed. The decline in income tax collections for tax years 2018-2020 is \$22.727 million under this proposal. Depending upon the timing of the filing of returns for tax years 2018 through 2020, the \$22.727 million decrease in revenue should span FY21 and FY22, with an unknown amount in each FY. No changes to withholding or estimated tax payments is expected.

¹ The cap on itemized deductions was enacted for tax year 2018 and subsequent tax years by HB1011XX during the Second Extraordinary Session, Fifty-Sixth Oklahoma Legislature.

² For federal income tax purposes gambling winnings are included in federal adjusted gross income and gambling losses are allowed as an itemized deduction, however the gambling losses allowed as an itemized deduction cannot be in excess of the reported gambling winnings.

³ The estimate of this measure was derived using the Oklahoma Individual Income Tax Micro Simulation Model.