

BILL SUMMARY
1st Session of the 59th Legislature

Bill No.:	HB1642
Version:	Introduced
Request Number:	5669
Author:	Maynard
Date:	2/16/2023
Impact:	OTC Analysis:
FY24: Estimated decrease in revenues of \$3.6 million	
FY25: Estimated decrease in revenues of \$6.2 million	
and minimal decrease in income tax revenues	

Research Analysis

Pending

Prepared By: House Research Staff

Fiscal Analysis

HB1642 proposes to enact the Oklahoma Youth Entrepreneurs Promotion and Development Act of 2023. The measure create sales and income tax exemptions for certain entrepreneurs less than 18 years of age. The Oklahoma Tax Commission estimates that, of Oklahoma's 968,772 persons under 18 years, 30% of those individuals (290,632 persons) could claim the proposed exemptions. The resulting decrease in state revenues is estimated to equal \$3.6 million for FY24 and \$6.2 million for FY25. The Tax Commission also identifies minimal impacts to state revenues.

As provided by the Tax Commission:

Based upon Oklahoma Tax Commission reporting, a total of \$26,205,684 in state sales tax was remitted as "casual," and a total of \$56,838,377 in state sales tax was remitted on the sales of fireworks² in FY22. Application of 7.23%³ to \$83,044,061 in casual and firework sales tax, results in an estimated \$6,004,086 in state sales taxes remitted by persons under 18 years for FY 22. Calculated with an effective date of November 1, 2023, and a growth rate of inflation of 3.8% for FY 24 and a .16% growth rate of inflation results in an estimated decrease of \$3,635,474 in state sales tax revenues for FY 24, and an estimated decrease of \$6,242,212 in state sales tax revenues for FY 25.

It is assumed that almost all of these sellers will still apply for a sales tax permit in order to make purchases exempt from sales tax, resulting in a minimal unknown decrease in state sales tax permit fees.

Because an individual Oklahoma taxpayer is already allowed a standard deduction of \$6,350 to compute taxable income, the proposed \$5,000 income tax exemption is expected to have a minimal effect on income tax revenue beginning for FY 25 when the 2024 returns are filed.

Prepared By: Zachary Penrod, House Fiscal Staff

Other Considerations

None.

