

OKLAHOMA TAX COMMISSION

REVENUE IMPACT STATEMENT AND/OR ADMINISTRATIVE IMPACT STATEMENT SECOND REGULAR SESSION, FIFTY-NINTH OKLAHOMA LEGISLATURE

DATE OF IMPACT STATEMENT: March 7, 2024

BILL NUMBER: HB 1788 **STATUS AND DATE OF BILL:** Engrossed 3/6/24

AUTHORS: House: Maynard, Williams, Boles and Kendrix Senate: Bullard

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

PROPOSAL: New Law

Engrossed HB 1788 proposes to create an income tax credit for 70% of the amount contributed to a pregnancy resources center, effective for tax years 2024 - 2028. For each taxpayer, the credit is limited to \$50,000 per year, and any credit that cannot be claimed in the taxable year that a contribution was made may be claimed in the next succeeding taxable year. Total combined credits used to offset tax are further limited to \$5 million per year.

EFFECTIVE DATE: January 1, 2024

REVENUE IMPACT:

Due to a lack of information, the estimated impact of the proposal is an unknown decrease in income tax revenue, beginning for FY 2025 when the 2024 returns are filed. In addition, an unknown decrease in withheld income tax and estimated tax payments may be expected for FY 2024.

FY 25: Unknown decrease in income tax revenue.

FY 26: Unknown decrease in income tax revenue.

3/11/24

DATE

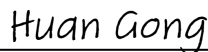


MARIE SCHUBLE, DIVISION DIRECTOR

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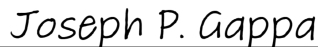
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HUAN GONG, ECONOMIST

3/11/2024

DATE



JOSEPH P. GAPPA, 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.

PROPOSED NEW LAW:

Engrossed HB 1788 proposes to create an income tax credit for 70% of the amount contributed to a pregnancy resources center, effective for tax years 2024 - 2028.¹

For each taxpayer, the credit is limited to \$50,000 per year, and any credit that cannot be claimed in the taxable year that a contribution was made may be claimed in the next succeeding taxable year. Except for any carryover credit, a taxpayer is not allowed to claim a tax credit unless the total amount of such taxpayer's contribution or contributions to a pregnancy resource center or centers in a taxable year has a value of at least \$100. Pregnancy resource centers are permitted to decline a taxpayer contribution.

Total combined credits used to offset tax are further limited to \$5 million per year. If total credits exceed \$5 million in any calendar year, the Oklahoma Tax Commission (OTC) will permit any excess over \$5 million but will factor such excess into the percentage adjustment formula for subsequent years. The OTC will annually calculate and publish by the first day of the affected year the percentage by which the credits will be reduced so the total annual amount of credits used to offset tax does not exceed \$5 million. The formula used for the percentage adjustment is \$5 million divided by the credits claimed in the second preceding year.²

The Director of the Oklahoma Department of Human Services (DHS) will determine, at least annually, which facilities in Oklahoma may be classified as a pregnancy resource center. Each pregnancy resource center will provide information to the Director concerning the identity of each taxpayer making a contribution to the pregnancy resource center who is claiming the proposed credit and the amount of the contribution. The Director will provide the information to the OTC and will be subject to the confidentiality and penalty provisions of 68 O.S. § 205, relating to the disclosure of tax information.

ANTICIPATED IMPACT:

Due to a lack of information, the estimated impact of the proposal is an unknown decrease in income tax revenue, beginning for FY 2025 when the 2024 returns are filed. In addition, an unknown decrease in withheld income tax and estimated tax payments may be expected for FY 2024.

¹ Currently, charitable donations are tax-deductible for certain individuals who itemize deductions and for business entities, subject to income limitations.

² Because the formula to be used for the percentage adjustment is \$5 million divided by the credits claimed in the second preceding tax year, the credit limit is not enforceable until tax year 2026.