

# OKLAHOMA TAX COMMISSION

## REVENUE IMPACT STATEMENT FIRST REGULAR SESSION, FIFTY-NINTH OKLAHOMA LEGISLATURE

**DATE OF IMPACT STATEMENT:** March 21, 2023

**BILL NUMBER:** HB 1956 **STATUS AND DATE OF BILL:** Engrossed 3/20/23

**AUTHORS:** House McCall, O'Donnell, Provenzano and Hefner Senate Treat

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

**PROPOSAL:** Amendatory

Engrossed HB 1956 proposes to amend 68 O.S. § 238.1, which requires a person holding a state license to be in compliance with Oklahoma income tax laws. The proposal allows a licensee who is not in compliance with Oklahoma income tax laws to renew a license, and authorizes the OTC to proceed by garnishment to collect any delinquent tax, penalty or interest due from a licensee. A licensee who was not previously required to pay income tax or who has moved to Oklahoma within the past year is exempt from income tax compliance requirements pursuant to 68 O.S. § 238.1.

**EFFECTIVE DATE:** November 1, 2023

### REVENUE IMPACT:

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

FY 24: Estimated increase in income tax revenue of \$5.3 million.

FY 25: Estimated increase in income tax revenue of \$8 million.

March 21, 2023

DATE

*Rick Miller*

DIVISION DIRECTOR

bf

3/22/2023

DATE

*Huan Gong*

HUAN GONG, ECONOMIST

3/22/2023

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.***

## ATTACHMENT TO REVENUE IMPACT - HB 1956 [Engrossed] Prepared 3/21/23

Engrossed HB 1956 proposes to create the Dixon Act and to amend 68 O.S. § 238.1, which requires a person holding a state license to be in compliance with Oklahoma income tax laws.

Currently, each licensing entity must provide the Oklahoma Tax Commission (OTC) a list of all its licensees and any required identifying information. The OTC must provide notification to any licensee who is not in compliance with Oklahoma income tax laws, including a statement that the licensee's license will not be renewed or reissued until the taxpayer is deemed by the OTC to be in compliance with Oklahoma income tax laws.

The OTC must allow noncompliant taxpayers who hold a professional license at least six months' notice prior to notifying the licensing agency. In many cases, this time is greater than six months, as a taxpayer may receive billing notices for a longer period of time. If a licensee does not respond to such notification or fails to come into compliance with Oklahoma income tax laws after an assessment has been made final or after the OTC determines that every reasonable effort has been made to assist the licensee to come into compliance, the OTC will notify the applicable licensing agency, which shall not renew or reissue the licensee's license at such time it is subject to renewal or thereafter and will notify the applicant of the reason for nonrenewal or failure to reissue.

The proposal deletes the requirement for the OTC to notify a licensing agency of a licensee's noncompliance and allows a licensee who is not in compliance with Oklahoma income tax laws to renew a license. The proposal further authorizes the OTC to proceed by garnishment to collect any delinquent tax, penalty or interest due from a licensee. A licensee who was not previously required to pay income tax or who has moved to Oklahoma within the past year is exempt from income tax compliance requirements pursuant to 68 O.S. § 238.1.

For FY 2022, the OTC notified 39,618 licensees that compliance could not be determined:

Return Status	Count	Amount
No Return/Missing Return	34,434	\$ -
Return Filed with a Balance Due	3,854	11,295,580.52
Missing Return and Balance Due for Another Tax Period	1,330	3,370,361.38
<i>Totals</i>	39,618	\$ 14,665,941.90

As a result of these efforts, the OTC collected approximately \$6.6 million from delinquent licensees for FY 2022. Assuming similar activity, the revenue impact of this proposal is an estimated increase of up to \$5.3 million for FY 24 (November 23 through June 2024) and \$8 million for FY 2025 for collection of delinquent tax, penalty and interest by garnishment.<sup>1</sup>

<sup>1</sup> Garnishment may not be effective to collect delinquent amounts from licensees who are not employees.