

# OKLAHOMA TAX COMMISSION

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

**DATE OF IMPACT STATEMENT:** January 10, 2024

**BILL NUMBER:** SB 1497 **STATUS AND DATE OF BILL:** Introduced 12/18/23

**AUTHORS:** House: N/A Senate: Garvin

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

**PROPOSAL:** Amendatory

SB 1497 proposes to amend 68 O.S. § 2357.45, increasing the total annual credit limit for taxpayer donations to independent biomedical research institutes, and increasing the credit amounts for taxpayer donations to independent biomedical research institutes and to cancer research institutes.

**EFFECTIVE DATE:** November 1, 2024

### REVENUE IMPACT:

Oklahoma Tax Commission records indicate the total credit amount claimed for donations to cancer research institutes and for donations to independent biomedical research institutes for tax year 2021 totaled approximately \$98,000 and \$796,000, respectively. It is expected that the amount of credits claimed will increase as a result of the proposal, beginning for FY 25<sup>1</sup>; however, information is not available to reasonably estimate the related decrease in income tax revenue.

**FY 25: Unknown decrease in income tax revenue.**

**FY 26: Unknown decrease in income tax revenue.**

1/11/24

DATE

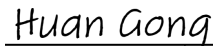


MARIE SCHUBLE, DIVISION DIRECTOR

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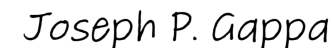
DATE



HUAN GONG, ECONOMIST

1/30/2024

DATE



JOSEPH 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.***

<sup>1</sup> A decrease in estimated tax payments may be expected, beginning for FY 25.

**CURRENT LAW:**

Income tax credits are allowed under 68 O.S. § 2357.45 for any taxpayer who makes a donation to an independent biomedical research institute and for any taxpayer who makes a donation to a cancer research institute. The credit percentage, not to exceed 50%, is adjusted annually so the combined total estimate of credits does not exceed \$2 million. For each credit, the percentage adjustment formula is 50% of \$1 million divided by credits claimed in the preceding year for each donation. Each credit is further limited to \$1,000 for each taxpayer for each type of donation.

**PROPOSED AMENDMENTS:**

SB 1497 proposes to amend 68 O.S. § 2357.45, providing that the credit percentage for donations to independent biomedical research institutes is adjusted annually so that the total estimate of credits does not exceed \$2 million, effective for tax year 2025 and subsequent tax years. The related credit adjustment formula is modified to 50% of \$2 million divided by credits claimed in the preceding year.<sup>2</sup> If total annual credits exceed \$1.5 million,<sup>3</sup> the Oklahoma Tax Commission (OTC) will permit any excess but will factor such excess into the percentage adjustment formula for subsequent years. The credit limit is further expanded to \$1,000 for single filers and married filing separate; \$2,000 for married filing joint, head of household and qualifying widow; and \$50,000 for any taxpayer that is a business entity formed under Oklahoma laws.

In addition, the credit for donations to a cancer research institute is increased to \$2,000 for married filing joint, head of household, qualifying widow, and for any taxpayer that is a business entity formed under Oklahoma law, effective for tax year 2025 and subsequent tax years.

**ANTICIPATED IMPACT:**

OTC records indicate the total credit amount claimed for donations to cancer research institutes and for donations to independent biomedical research institutes for tax year 2021 totaled approximately \$98,000 and \$796,000, respectively. It is expected that the amount of credits claimed will increase as a result of the proposal, beginning for FY 25<sup>4</sup>; however, information is not available to reasonably estimate the related decrease in income tax revenue.

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<sup>2</sup> The proposed credit adjustment formula is not administratively possible. A revision may be necessary to allow the credit adjustment formula to be 50% of \$2 million divided by credits claimed in the second preceding year.

<sup>3</sup> It was confirmed that the annual cap should be \$2 million rather than \$1.5 million.

<sup>4</sup> A decrease in estimated tax payments may be expected, beginning for FY 25.