

BILL SUMMARY
2nd Session of the 54th Legislature

Bill No.:	SB 1246
Version:	ENGR
Request Number:	NA
Author:	Rep. Osborn
Date:	4/9/2014
Impact:	Tax Commission:
	Projected Revenue Decrease:
	FY-16: \$57.0 Million
	FY-17: \$147.0 Million
	FY-18: \$198.8 Million

Research Analysis

Engrossed SB1246 proposes to reduce to the top marginal individual income tax rate to 5 percent or 4.85 percent by establishing revenue triggers contingent on certain revenue growth. If the total General Revenue Fund proposed estimate for FY2016 is greater than the total General Revenue Fund proposed estimate for FY2014, then the rate would be reduced to 5 percent for tax year 2016. If the tax cut is not implemented, then the State Board of Equalization must repeat the comparison for subsequent tax years until the trigger is met. Following the implementation of the 5 percent tax rate, there is second trigger to reduce the income tax rate to 4.85 percent.

Prepared By: Quyen Do

Fiscal Analysis

REVENUE IMPACT:

Sections 1 and 3 will not change revenue collections.

Sections 2, 4, and 5 - Under current law, Oklahoma has a progressive individual income tax rate structure with the top marginal tax rate at 5.25%. This proposal could potentially reduce the top marginal individual income tax rate to 5.0% for tax years 2016 and 2017, then to 4.85% for subsequent tax years (no earlier than two tax years after the 5% rate is in effect), contingent upon certain revenue growth.

The table below shows the estimated effect of the top rate decreasing to 5.0% for tax years 2016 and 2017, and 4.85% for tax year 2018. This assumes the State Board of Equalization will make a finding at their December 2014 meeting authorizing a top marginal income tax rate of 5% for tax year 2016 and then a finding in their December 2016 meeting authorizing a top marginal income tax rate of 4.85% for tax year 2018³.

FY EFFECT INCOME TAX ASSUMING TRIGGERS FOR 5% IN 2016 and 2017, and 4.85% IN 2018				
Fiscal Impact				
Tax year 2016	-\$142,620,000			
Tax year 2017	-\$153,557,000			
Tax year 2018	-\$266,589,000			
FY CONVERSION		FY16	FY17	FY18
Tax year 2016	-\$142,620,000	-\$57,048,000	-\$85,572,000	
Tax year 2017	-\$153,557,000		-\$61,423,000	-\$92,134,000
Tax year 2018	-\$266,589,000			-\$106,636,000
FY TOTAL		-\$57,048,000	-\$146,995,000	-\$198,770,000
Source: Oklahoma Individual Income Tax Micro-Simulation Model.				

Prepared By: Mark Tygret

Other Considerations

None.