

## MEDIA RELEASE

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### **Income Tax Cuts Have Dampened Oklahoma Revenues by \$400 - \$600 Million; Top Rate Cut Primarily Benefits the Wealthy**

(Oklahoma City, September 3, 2008) - Cuts in recent years to the individual income tax have decreased state revenues by several hundred million dollars, with most of the benefits going to the highest-income Oklahomans. These findings are contained in a pair of new fact sheets released today by Oklahoma Policy Institute (OK Policy), an Oklahoma City-based state policy organization.

Despite ongoing strength in the state's economy, revenues from individual income taxes grew by less than 1 percent in FY07 and FY08, when tax cuts enacted between 2004 and 2006 began to take full effect. According to OK Policy's analysis, had income tax revenues grown at their historical average of the prior 15 years, the state would have collected \$429 million more in FY08 revenues than it actually did. Likewise, if income tax collections had kept to their historic trend of growing 3 percent faster than sales taxes, state revenues would have been \$590 million greater in FY08 than they actually were.

"During this time of robust economic growth in our state, it is unfortunate that decisions made in recent years have squandered what could have been a real opportunity to create a better educated, healthier and more economically competitive state," said Matt Guillory, Executive Director of OK Policy.

A second fact sheet, which looks at who benefits from the income tax cuts enacted from 2004-06, shows that the wealthiest fifth of households receive 73 percent of the benefit from lowering the top income tax rate, totaling \$423 million, with the average household in the top fifth reaping annual tax savings of \$1,421. By contrast, the bottom 40 percent of households will receive only 3 percent of the benefit from cutting the top rate, totaling \$17 million, with the average household in the bottom 40 percent pocketing annual savings of under \$30. The second largest tax cut of recent years, which involved raising the standard deduction to federal levels, provides greater benefit to low- and middle-income households and costs the state only \$266 million when fully phased in.

Guillory added that the extent of the tax cuts have seriously restricted the state's ability to meet current needs and future obligations. "Since the state must balance its budget, tax cuts directly limit the resources available to improve underfunded schools, colleges, social services and infrastructure, and prepare for fiscal challenges ahead," he stated. "These critical investments should be our priorities, not further reducing Oklahoma's already-low taxes in ways that benefit those who need help the least."

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To access these fact sheets, please visit our website at <http://okpolicy.org/issues/budgetandtaxes>  
*Oklahoma Policy Institute is committed to advancing policies aimed at promoting fiscal responsibility, expanding economic opportunity and alleviating poverty.*