

Based On Information Available as of 5-2-2012

Prepared by Oklahoma Policy Institute

NOTE: SB1623, SB1437, and SB1571 were not taken up by the House. The bills will not move forward, but parts of them may be incorporated into the final proposal that comes out of conference committee.

<p align="center">Fallin Plan (HB 3061 – Conference Committee)</p>	<p align="center">Mazzei Bills (SB 1623 – Dead/ SB 1437 – Dead) Based on Tax Reform Task Force Proposal</p>	<p align="center">Jolley & Osborn Bills (SB 1571 - Dead/ HB 3038 – Conference Committee) Based on OCPA/ Laffer Proposal</p>
<p align="center">Brackets & Rates:</p> <p><i>Single</i> \$0 under \$15,000 - 0% \$15,000 under \$35,000 - 2.25% \$35,000 and above - 3.5%</p> <p><i>Married Joint, Head of Household, Surviving Spouse</i></p> <p>\$0 under \$30,000 - 0% \$30,000 under \$70,000 - 2.25% \$70,000 and above - 3.5%</p> <p>Rates would be cut by an additional 0.25 percentage points whenever revenue increased by 5 percent or more.</p> <p>The plan eliminates marginal tax rates and instead applies the bracket to all taxable income. This creates ‘cliffs’ in tax liability. For example, tax for a couple with taxable income of \$29,999 is \$0, but if they make \$30,000, they will owe \$675. Tax for a couple making \$69,999 is \$1,575, but if they make \$70,000, they will owe \$2,450.</p> <p>Eliminating the cliffs would more than triple the cost of the proposal. [See “Fiscal Impact” below.]</p>	<p align="center">Brackets & Rates:</p> <p>SB 1623</p> <p>Retains existing bracket structure.</p> <p>Top personal income tax rate reduced from 5.25% to 5% in 2013 and 4.75% in 2014.</p> <p>Corporate income tax rate reduced from 6% to 5.5% in 2013.</p> <p>SB 1437</p> <p>Retains existing bracket structure.</p> <p>Top personal income tax rate reduced from 5.25% to 5% in 2013 and 4.75% in 2014.</p> <p>An additional cut in the top rate to 4.5% would be triggered by a revenue increase of 4% or more.</p> <p>Corporate income tax rate reduced from 6% to 5% in 2013.</p>	<p align="center">Brackets & Rates:</p> <p>SB 1571 – Senate Version</p> <p><i>Single</i></p> <p>Flat tax of 2.5% [amended on Senate floor from original 2.25%] on all taxable income of taxpayers making more than \$8,700.</p> <p><i>Married Joint, Head of Household, Surviving Spouse</i></p> <p>Flat tax of 2.5% on all taxable income of households making more than \$15,000.</p> <p>The rate is then reduced by a quarter percent every year until fully eliminated in 2022. [Under Senate floor amendment, the final cut in 2021 would be one half percent.]</p> <p>Like Gov. Fallin’s plan, SB 1571 creates a cliff. If a single-filing taxpayer’s income increases by \$1 more than \$8,700, taxes owed jump by \$217. If a joint-filing household’s income increases by \$1 above \$15,000, their taxes owed jump by \$375.</p> <p>SB 1571 – House Floor Version</p> <p>[Brackets and a trigger were added in House committee.]</p>

		<p><i>Single</i></p> <p>\$0 to \$1,000 – 0.5% \$1,001 to \$2,500 – \$5 and 1% \$2,501 to \$3,750 - \$20 and 2% \$3,751 to \$4,900 - \$45 and 2.25% \$4,901 and above – 2.25%</p> <p><i>Married Joint, Head of Household, Surviving Spouse</i></p> <p>\$0 to \$2,000 – 0.5% \$2,001 to \$5,000 – \$10 and 1% \$5,001 to \$7,500 - \$40 and 2% \$7,501 to \$9,800 - \$90 and 2.25% \$9,801 and above – 2.25%</p> <p>Another quarter percent cut in the top marginal rate would be triggered any time state revenues increase from year to year by at least 2.5%. The brackets below the top rate would remain unchanged until the top rate reaches zero, at which point all brackets would be eliminated.</p> <p>HB 3038 – House Version</p> <p><i>Single</i></p> <p>\$0 under \$1,000 – 0.5% \$1,000 under \$2,500 - 1% \$2,500 under \$3,750 - 2% \$7,500 and above – 2.25%</p> <p><i>Married Joint, Head of Household, Surviving Spouse</i></p> <p>\$0 under \$2,000 – 0.5% \$2,000 under \$5,000 - 1% \$5,000 under \$7,500 - 2% \$7,500 and above – 2.25%</p> <p>The top rate is then reduced by a quarter percent every year until fully eliminated in 2022.</p> <p>HB 3038 – Senate Version</p> <p>Retains existing bracket structure.</p> <p>Top personal income tax rate reduced from 5.25% to 4.95%.</p>
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<p>Credits Eliminated:</p> <ol style="list-style-type: none"> 1. Dry Fire Hydrant Credit 2. Credit for Railroad Modernization 3. Credit for Breeders of Specially Trained Canines 4. Wire Transfer Fee Credit 5. Credit for Cancer Research Contribution 6. Oklahoma Capital Investment Board Tax Credit 7. Credit for Hazardous Waste Control 8. Gas Used in Manufacturing Credit 9. Oklahoma Investment/New Jobs Credit 10. Credit for Energy Assistance Fund Contribution 11. Coal Credit 12. Child Care/Child Care Tax Credit 13. Credit for Manufacturer of Qualified Electric Motor Vehicles 14. Oklahoma Agricultural Producers Credit 15. Credit for Employers Providing Child Care Programs 16. Credit for Businesses Providing Child Care Services 17. Small Business Guaranty Fee Credit 18. Credit for Electricity Generated by Zero-Emission Facilities 19. Credit for Manufacturers of Small Wind Turbines 20. Food Service Establishment Hepatitis A Vaccination 21. Credit for Tourism Development or Film or Music Production Facility 22. Credit for Qualified Rehabilitation Expenditures 	<p>Credits Eliminated:</p> <p>SB 1623 <i>(Cut by Half in First Year, Eliminated in Second)</i></p> <ol style="list-style-type: none"> 1. Credit for Investment in Equipment used for Recycling, Reuse, or Source Reduction of Hazardous Waste 2. Child Care/Child Tax Credit 3. Credit for Gas Used in Manufacturing 4. Oklahoma Investment/New Jobs Credit 5. Energy Conservation Assistance Fund Credit 6. Oklahoma Coal Production Credit 7. Agricultural Processing Facilities Credit 8. Employers Child Care Services Credit 9. Child Care Service Provider Credit 10. Small Business Guaranty Fee Credit 11. Credit for Electricity Generated by Zero-Emission Facilities 12. Credit for Manufacturers of Advanced Small Wind Turbines 13. Hepatitis Immunization Credit 14. Tax Credit for Qualified Rehabilitation Expenditures 15. Oklahoma Earned Income Tax Credit 16. Credit for Donations to Biomedical Research Foundations 17. Credit for Eligible Expenditures Incurred by a Contractor in the Construction of Energy Efficient Residential Property 18. Credit for Eligible Wages Paid by 	<p>Credits Eliminated:</p> <p>SB 1571 All credits.</p> <p>HB 3038 – House Version All credits except volunteer firefighters.</p> <p>HB 3038 – Senate Version No credits.</p>

<p>23. Credit for the Construction of Energy Efficient Homes</p> <p>24. Credit for Wages Paid to an Injured Employee</p> <p>25. Credit for Modification Expenses Paid for an Injured Employee</p> <p>26. Credit for Qualified Recycling Facility</p> <p>27. Credit for Qualified Ethanol Facilities</p> <p>28. Earned Income Tax Credit</p> <p>29. Credit for Qualified Biodiesel Facilities</p> <p>30. Low Income Property Tax Credit</p> <p>31. Oklahoma Local Development and Enterprise Zone Incentive Leverage Act</p> <p>32. Poultry Litter Credit</p> <p>33. Film or Music Project Credit</p> <p>34. Credit for Rural Economic Development Loans</p> <p>35. Credit for Stafford Loan Organizational Fee</p> <p>36. Sales Tax Relief Credit</p> <p>37. Research and Development New Jobs Credit</p> <p>38. Business Activity Tax Credit</p> <p>Credits Restored by Amendment:</p> <p>1. Volunteer Firefighter Credit</p>	<p>an Employer to an Injured Employee and Credit for Modification Expenses Paid by an Employer for an Injured Employee</p> <p>19. Qualified Recycling Facility Credit</p> <p>20. Investment Incentive Credit</p> <p>21. Poultry Litter Tax Credit</p> <p>22. Film and Music Profit Reinvestment Credit</p> <p>23. Dry Fire Hydrant Credit</p> <p>24. Credit for Eligible Taxpayer's Qualified Railroad Reconstruction or Replacement Expenditures</p> <p>25. Specially Trained Canine Credit</p> <p>26. Volunteer Firefighter Credit <i>[Restored in House Committee Substitute]</i></p> <p>27. Credit for Financial Institutions Making Loans under the Rural Economic Development Loan Act</p> <p>28. Credit for Stafford Loan Origination Fee</p> <p>29. Low Income Property Tax Relief Credit</p> <p>30. Oklahoma Film Enhancement Rebate Program</p> <p>31. Low Income Sales Tax Relief Credit</p> <p>32. Oklahoma Research and Development Incentives Credit</p> <p>SB 1437 No credits eliminated.</p>	
<p>Exemptions/Deductions Eliminated:</p> <p>1. Oil and Gas Depletion Allowance</p> <p>1. Exemption for cost of sulfur regulation compliance</p> <p>2. Indian Employment Exclusion</p> <p>3. Midwest Disaster Area adjustment</p> <p>Exemptions/Deductions Initially Eliminated; Now Restored by amendment:</p> <p>1. Itemized deductions</p> <p>2. Personal Exemption</p> <p>3. Blind Exemption</p> <p>4. Individuals 65 and older</p>	<p>Exemptions/Deductions Eliminated:</p> <p>SB 1623 <i>(Cut by Half in First Year, Eliminated in Second)</i></p> <p>1. Personal Exemption (for individuals making \$30k+ or joint-filers/head of households making \$60k+)</p> <p>2. Additional Exemption for Blind Taxpayers</p> <p>3. Additional Exemption for Taxpayers 65 Years or Older</p> <p>4. Deduction for Modification Expenditures for Taxpayers with Physical Disabilities</p> <p>5. Dividend/Interest Income Exclusion</p> <p>6. Deduction for Adoption Expenses</p>	<p>Exemptions/Deductions Eliminated:</p> <p>SB 1571 All exemptions and deductions are eliminated except the following, which were restored by a Senate floor amendment:</p> <p>1. Exemptions for pension income</p> <p>2. Exemption for Social Security income</p> <p>3. Exemption for military retirement benefits</p> <p>4. Exemption for civil service retirement benefits in lieu of Social Security</p> <p>5. Deduction for active military compensation</p> <p>6. Exclusion for certain deferred</p>

<p>exemption</p> <ol style="list-style-type: none"> 5. Social Security (Only benefits taxable at federal level) 6. Civil Service in lieu of Social Security 7. Military Retirement Benefits 8. Government Pension 9. Other Retirement Income 10. Net Operating Losses 11. Oklahoma Source Capital Gain Deduction 12. Misc. Other includes Inventors Royalty / Manufacturers Exclusion, Historic Battle Sites, Military member killed in combat zone, Military spouse killed in combat zone, and Small Business Incubator 13. Military Pay Exclusion 14. Qualifying Disability Deduction 15. Political Contributions 16. Dividend/Interest Exclusion 17. Adoption Expenses 18. 529 Contributions 19. Misc. Other includes Medical Savings Account, Ag Commodity Processing, Swine & Poultry, Discharge of Farm Debt, Police Corps Scholarship / Stipend, Organ Donor, OSHA, Emergency Medical Personnel Death Benefit Exclusion, Competitive Livestock Show Award 	<ol style="list-style-type: none"> 7. Deduction for Contributions to an Oklahoma College Savings Plan 8. Deduction for State and Local Taxes Deducted on the Federal Return 9. Deduction for Political Contributions <p>SB 1437 No exemptions or deductions eliminated.</p>	<p>compensation distributions</p> <p>HB 3038 – House Version All current exemptions and deductions are eliminated. A House floor amendment created the following new exemptions:</p> <p>Tax exemption of \$10,000.00 of income for retirees, Oklahoma civil service retirees, civil service of the United States retirees, and Armed Forces retirees, and all retirement income of social security recipients and federal civil service retirees.</p> <p>Only those making under \$80,000.00 are eligible for the exemption going to retirees, Oklahoma civil service retirees, civil service of the United States retirees, Armed Forces retirees, and federal civil service retirees. Only those making under \$100,000.00 are eligible for the exemption for social security income.</p> <p>HB 3038 – Senate Version No deductions or exemptions affected.</p>
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Fiscal Impact	Fiscal Impact	Fiscal Impact
<p>Before exemptions and deductions were restored, fiscal impact according to Oklahoma Tax Commission was a loss of \$132.0 million and the full FY '14 impact was a loss of \$330.0 million.</p> <p>The Institute on Taxation and Economic Policy calculates that without the tax cliffs, the cost of this version would more than triple to \$1.069 billion in the first full year.</p> <p>After an amendment restoring numerous deductions, the Oklahoma Tax Commission estimates that in FY' 13 the bill would cost \$382.8 million. The fully phased in cost in FY '14 would be \$980.2 million.</p>	<p>SB 1623 FY '13: \$3.3 million increase FY '14: \$2.7 million loss FY '15: \$39,000 loss</p> <p>Lost revenue is due entirely to corporate income tax changes; personal income tax changes would be revenue positive.</p> <p>SB 1437 Personal Income Tax Changes FY '13: \$46.1M loss FY '14: \$171.5M loss FY '15: \$264.5M loss FY '16: \$346.7M loss</p> <p>Net Personal/Corporate Income Tax Changes FY '13: \$75.2M loss Fy '14: \$229.6M loss</p>	<p>SB 1571 FY '13: \$232.4 million loss FY '14: \$700.9 million loss FY '15: \$1.02 billion loss FY '16: \$1.36 billion loss</p> <p>The Tax Commission cannot estimate the fiscal impact beyond FY '16 of the phased out elimination of the income tax</p> <p>HB 3038 – House Version FY '13: \$316.5 million loss <i>[increased from \$285.9 million loss after exemptions were restored]</i> FY '14: \$907.7 million loss <i>[increased from \$835.1 million loss]</i> FY '15: \$1.21 billion loss <i>[increased from \$1.15 billion loss]</i> FY '16: \$1.55 billion loss <i>[increased from \$1.50 billion loss]</i></p> <p>The Tax Commission cannot estimate the fiscal impact beyond FY '16 of the phased out elimination of the income tax</p> <p>HB 3038 – Senate Version FY '13: \$55.8 million loss FY '14: \$144.2 million loss</p> <p>Annual revenue loss would increase each year that a trigger is put into effect.</p> <p>Due to a shifting of sales tax revenue into the Teachers' Retirement System and the Ad Valorem Reimbursement Fund, sales tax going to General Revenue would decrease by \$45.7 million in FY '14.</p>