

**Based On Information Available as of 3-1-2012**

**Prepared by Oklahoma Policy Institute**

<p align="center"><b>Fallin Plan</b> (HB 3061 – House Committee Substitute)</p>	<p align="center"><b>Mazzei Bill</b> (SB 1623 – Senate Committee Substitute) Based on Tax Reform Task Force Proposal</p>	<p align="center"><b>Jolley &amp; Osborn Bills</b> (SB 1571 – Senate Committee Substitute/HB 3038 – House Committee Substitute) Based on OCPA/Laffer Proposal</p>
<p align="center"><b>Brackets &amp; Rates:</b></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"><b>Brackets &amp; Rates:</b></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 align="center"><b>Brackets &amp; Rates:</b></p> <p><b>SB 1571</b> <i>Single</i></p> <p>Flat tax of 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 2.25% 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.</p> <p>Like Gov. Fallin’s plan, SB 1571 creates a cliff. If a single taxpayer’s income increases by \$1 more than \$8,700, taxes owed jump by \$196. If a joint-filing household’s income increases by \$1 above \$15,000, their taxes owed jump by \$338.</p> <p><b>HB 3038</b> <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%</p>

		<p>\$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><b>Credits Eliminated:</b></p> <ol style="list-style-type: none"> <li>1. Dry Fire Hydrant Credit</li> <li>2. Credit for Railroad Modernization</li> <li>3. Credit for Breeders of Specially Trained Canines</li> <li>4. Volunteer Firefighter Credit</li> <li>5. Wire Transfer Fee Credit</li> <li>6. Credit for Cancer Research Contribution</li> <li>7. Oklahoma Capital Investment Board Tax Credit</li> <li>8. Credit for Hazardous Waste Control</li> <li>9. Gas Used in Manufacturing Credit</li> <li>10. Oklahoma Investment/New Jobs Credit</li> <li>11. Credit for Energy Assistance Fund Contribution</li> <li>12. Coal Credit</li> <li>13. Child Care/Child Care Tax Credit</li> <li>14. Credit for Manufacturer of Qualified Electric Motor Vehicles</li> <li>15. Oklahoma Agricultural Producers Credit</li> <li>16. Credit for Employers Providing Child Care Programs</li> <li>17. Credit for Businesses Providing Child Care Services</li> <li>18. Small Business Guaranty Fee Credit</li> <li>19. Credit for Electricity Generated by Zero-Emission Facilities</li> <li>20. Credit for Manufacturers of Small Wind Turbines</li> <li>21. Food Service Establishment Hepatitis A Vaccination</li> <li>22. Credit for Tourism Development or Film or Music Production Facility</li> <li>23. Credit for Qualified Rehabilitation Expenditures</li> <li>24. Credit for the Construction of Energy Efficient Homes</li> <li>25. Credit for Wages Paid to an Injured Employee</li> <li>26. Credit for Modification Expenses</li> </ol>	<p><b>Credits Eliminated:</b></p> <p><i>(Cut by Half in First Year, Eliminated in Second)</i></p> <ol style="list-style-type: none"> <li>1. Credit for Investment in Equipment used for Recycling, Reuse, or Source Reduction of Hazardous Waste</li> <li>2. Child Care/Child Tax Credit</li> <li>3. Credit for Gas Used in Manufacturing</li> <li>4. Oklahoma Investment/New Jobs Credit</li> <li>5. Energy Conservation Assistance Fund Credit</li> <li>6. Oklahoma Coal Production Credit</li> <li>7. Agricultural Processing Facilities Credit</li> <li>8. Employers Child Care Services Credit</li> <li>9. Child Care Service Provider Credit</li> <li>10. Small Business Guaranty Fee Credit</li> <li>11. Credit for Electricity Generated by Zero-Emission Facilities</li> <li>12. Credit for Manufacturers of Advanced Small Wind Turbines</li> <li>13. Hepatitis Immunization Credit</li> <li>14. Tax Credit for Qualified Rehabilitation Expenditures</li> <li>15. Oklahoma Earned Income Tax Credit</li> <li>16. Credit for Donations to Biomedical Research Foundations</li> <li>17. Credit for Eligible Expenditures Incurred by a Contractor in the Construction of Energy Efficient Residential Property</li> <li>18. Credit for Eligible Wages Paid by an Employer to an Injured Employee and Credit for Modification Expenses Paid by an Employer for an Injured Employee</li> <li>19. Qualified Recycling Facility Credit</li> <li>20. Investment Incentive Credit</li> <li>21. Poultry Litter Tax Credit</li> </ol>	<p><b>Credits Eliminated:</b></p> <p><b>SB 1571</b> All credits.</p> <p><b>HB 3038</b> All credits except volunteer firefighters.</p>

<ul style="list-style-type: none"> <li>Paid for an Injured Employee</li> <li>27. Credit for Qualified Recycling Facility</li> <li>28. Credit for Qualified Ethanol Facilities</li> <li>29. Earned Income Tax Credit</li> <li>30. Credit for Qualified Biodiesel Facilities</li> <li>31. Low Income Property Tax Credit</li> <li>32. Oklahoma Local Development and Enterprise Zone Incentive Leverage Act</li> <li>33. Poultry Litter Credit</li> <li>34. Film or Music Project Credit</li> <li>35. Credit for Rural Economic Development Loans</li> <li>36. Credit for Stafford Loan Organizational Fee</li> <li>37. Sales Tax Relief Credit</li> <li>38. Research and Development New Jobs Credit</li> <li>39. Business Activity Tax Credit</li> </ul>	<ul style="list-style-type: none"> <li>22. Film and Music Profit Reinvestment Credit</li> <li>23. Dry Fire Hydrant Credit</li> <li>24. Credit for Eligible Taxpayer's Qualified Railroad Reconstruction or Replacement Expenditures</li> <li>25. Specially Trained Canine Credit</li> <li>26. Volunteer Firefighter Credit</li> <li>27. Credit for Financial Institutions Making Loans under the Rural Economic Development Loan Act</li> <li>28. Credit for Stafford Loan Origination Fee</li> <li>29. Low Income Property Tax Relief Credit</li> <li>30. Oklahoma Film Enhancement Rebate Program</li> <li>31. Low Income Sales Tax Relief Credit</li> <li>32. Oklahoma Research and Development Incentives Credit</li> </ul>	
<p><b>Exemptions/Deductions Eliminated:</b></p> <ul style="list-style-type: none"> <li>1. Itemized deductions</li> <li>2. Personal Exemption</li> <li>3. Blind Exemption</li> <li>4. Individuals 65 and older exemption</li> <li>5. Social Security (Only benefits taxable at federal level)</li> <li>6. Civil Service in lieu of Social Security</li> <li>7. Military Retirement Benefits</li> <li>8. Government Pension</li> <li>9. Other Retirement Income</li> <li>10. Oil and Gas Depletion Allowance</li> <li>11. Net Operating Losses</li> <li>12. Oklahoma Source Capital Gain Deduction</li> <li>13. 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</li> <li>14. Military Pay Exclusion</li> <li>15. Qualifying Disability Deduction</li> <li>16. Political Contributions</li> </ul>	<p><b>Exemptions/Deductions Eliminated:</b></p> <p style="text-align: center;"><i>(Cut by Half in First Year, Eliminated in Second)</i></p> <ul style="list-style-type: none"> <li>1. Personal Exemption (for individuals making \$30k+ or joint-filers/head of households making \$60k+)</li> <li>2. Additional Exemption for Blind Taxpayers</li> <li>3. Additional Exemption for Taxpayers 65 Years or Older</li> <li>4. Deduction for Modification Expenditures for Taxpayers with Physical Disabilities</li> <li>5. Dividend/Interest Income Exclusion</li> <li>6. Deduction for Adoption Expenses</li> <li>7. Deduction for Contributions to an Oklahoma College Savings Plan</li> <li>8. Deduction for State and Local Taxes Deducted on the Federal Return</li> <li>9. Deduction for Political Contributions</li> </ul>	<p><b>Exemptions/Deductions Eliminated:</b></p> <p><b>SB 1571</b> All exemptions and deductions.</p> <p><b>HB 3038</b> All exemptions and deductions.</p>

<p>17. Dividend/Interest Exclusion  18. Adoption Expenses  19. 529 Contributions  20. Misc. Other includes Medical Savings Account, Ag Commodity Processing, Swine &amp; Poultry, Discharge of Farm Debt, Police Corps Scholarship / Stipend, Organ Donor, OSHA, Refinery, Sulfur, Emergency Medical Personnel Death Benefit Exclusion, Competitive Livestock Show Award, Indian Employment Exclusion and Midwest Disaster</p>		
<p style="text-align: center;"><b>Fiscal Impact</b></p> <p>Governor’s budget gives FY ’13 impact as a \$114 million loss. The Oklahoma Tax Commission has stated that the FY ’13 impact is a loss of \$132.0 million and the full FY ’14 impact is a loss of \$330.0 million.</p> <p>The Institute on Taxation and Economic Policy calculates that without the tax cliffs, the cost would increase to \$1.069 billion in the first full year.</p>	<p style="text-align: center;"><b>Fiscal Impact</b></p> <p>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 style="text-align: center;"><b>Fiscal Impact</b></p> <p><b>SB 1571</b>  FY ’13: \$260.0 million loss  FY ’14: \$779.3 million loss  FY ’15: \$1.12 billion loss  FY ’16: \$1.49 billion loss  The Tax Commission cannot estimate the fiscal impact beyond FY ’16 of the phased out elimination of the income tax</p> <p><b>HB 3038</b>  FY ’13: \$285.9 million loss  FY ’14: \$835.1 million loss  FY ’15: \$1.15 billion loss  FY ’16: \$1.50 billion loss  The Tax Commission cannot estimate the fiscal impact beyond FY ’16 of the phased out elimination of the income tax</p>