

BILL SUMMARY
2nd Session of the 58th Legislature

Bill No.:	SB 401
Version:	ENGR
Request Number:	NA
Author:	Rep. Martinez
Date:	4/7/2022
Impact:	Tax Commission:

Income Tax Revenue Decrease
FY-23: (\$5,677,000)

Research Analysis

SB 401 provides an income tax exemption for retirement benefits received by an individual from any component of the Armed Forces of the United States.

Prepared By: Emily McPherson

Fiscal Analysis

Analysis provided by the Tax Commission:

SB 401 proposes to amend 68 O.S § 2358(E)(18) which relates to the income tax exemption for retirement benefits received from any component of the Armed Forces of the United States. This proposal would provide for a 100% exemption effective for tax year 2022 and subsequent tax years.

Under current law, an income tax exemption is allowed for military retirement benefits from any component of the Armed Forces of the United States. The amount of the exemption is the greater of 75% of the military retirement benefit or \$10,000, but may not exceed the amount included in the taxpayer's federal adjusted gross income.

It is estimated an additional \$186.1 million¹ of retirement benefits (income) would be exempt from Oklahoma income tax. Applying an effective income tax rate of 3.05% results in an estimated decrease in annual income tax collections of \$5.677 million beginning with tax year 2022. No changes to estimated tax payments or withholding is anticipated; it is expected that the full impact of this measure will occur in FY23 when the 2022 income tax returns are filed.

¹ Analysis of tax year 2019 Income Tax Simple Statistics; \$186,129,663 additional retirement benefits would be exempt from Oklahoma income tax.

Prepared By: Mark Tygret

Other Considerations

None.

