

OKLAHOMA TAX COMMISSION

**REVENUE IMPACT STATEMENT
SECOND REGULAR SESSION, FIFTY-EIGHTH OKLAHOMA LEGISLATURE**

DATE OF IMPACT STATEMENT: March 24, 2022

BILL NUMBER: SB 401 **STATUS AND DATE OF BILL:** Engrossed 3/9/2022

AUTHORS: House Martinez Senate Pugh, et al

TAX TYPE (S): Income Tax **SUBJECT:** Exemption

PROPOSAL: Amendatory

Engrossed 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.

EFFECTIVE DATE: November 1, 2021

REVENUE IMPACT:

Insert dollar amount (plus or minus) of the expected change in state revenues due to this proposed legislation.

FY 23: Estimated decrease in income tax collections of \$5.677 million.

Mar. 29, 2022
DATE

Rick Miller
DIVISION DIRECTOR mck

3/29/2022
DATE

Huan Gong
HUAN GONG, ECONOMIST

3/30/2022
DATE

[Signature]
FOR THE COMMISSION

The revenue impact provided herein is an estimate of the potential impact on the collection or apportionment of tax revenues affected by the proposed legislation. It is not intended to be an estimate of the overall fiscal impact on the state budget if the proposed legislation is enacted.

ATTACHMENT TO REVENUE IMPACT - SB 401[Engrossed] Prepared 3/24/2022

Engrossed 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.