

OKLAHOMA TAX COMMISSION

REVENUE IMPACT STATEMENT AND/OR ADMINISTRATIVE IMPACT STATEMENT FIRST REGULAR SESSION, FIFTY-NINTH OKLAHOMA LEGISLATURE

DATE OF IMPACT STATEMENT: March 21, 2023

BILL NUMBER: HB 1964 **STATUS AND DATE OF BILL:** Engrossed 3/14/2023

AUTHORS: House: Newton, Martinez & Fetgatter Senate: Jech

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

PROPOSAL: Amendatory

HB 1964 proposes to amend 68 O.S. § 2357.45, which relates to the credit for biomedical research contributions and the credit for cancer research contributions. This measure would make donations to a qualified vision research institute eligible for a nonrefundable income tax credit effective for tax year 2024 and subsequent tax years.

EFFECTIVE DATE: November 1, 2023

REVENUE IMPACT:

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

FY 24: -0-

FY 25: Unknown decrease in income tax collections.

March 21, 2023

DATE

Rick Miller

DIVISION DIRECTOR

mk

3/22/2023

DATE

Huan Gong

HUAN GONG, ECONOMIST

3/22/2023

DATE

Joseph P Gappa

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 - HB 1964 [Engrossed]

Prepared 3/21/2023

HB 1964 proposes to amend 68 O.S. § 2357.45, which relates to the credit for donations to an independent biomedical research institute and the credit for donations to a cancer research institute.

Under current law, donations made to qualified independent biomedical research institutes or qualified cancer research institutes are eligible for a nonrefundable income tax credit. The credit is 50% of the amount donated, not to exceed \$1,000. Unused credits may be carried over for a period of 4 years. These credits are capped at a total of \$2 million annually.

This measure:

- Makes donations to a qualified vision research institute eligible for a nonrefundable income tax credit effective for tax year 2024 and subsequent tax years, with a cap of \$2 million per year.
- Increases the cap for donations to qualified independent biomedical research institutes and qualified cancer research institutes from \$1 million each to \$2 million.
- Increases the maximum amount of credit from \$1000 per each taxpayer to \$2000 for married individuals filing jointly, and \$50,000 for any taxpayer that is a legal business entity including limited and general partnerships, corporations, subchapter S corporations and limited liability companies.¹

If total annual credits exceed \$6 million, the Tax Commission may allow the credits for the current year and factor the excess amount into the percentage adjustment for subsequent years.

Under this proposal, a qualified vision research institute means an organization with a focus on raising the standard of clinical vision care in Oklahoma through peer-reviewed vision research and education. The organization must be either tax-exempt under Internal Revenue Code or be a not-for-profit supporting organization that is affiliated with a tax-exempt organization. The tax-exempt organization is further required to:

- Be either an independent research institute or an organization that is affiliated with a state university that is a member of the Oklahoma State System of Higher Education;
- Have a board of directors;
- Be able to accept donations in its own name or the name of its supporting organization;
- Be an identifiable institute that has its own employees and administrative staff; and
- Receive at least \$2 million in National Institutes of Health funding each year.

¹ The maximum credit amount for taxpayers with a filing status of single or married filing separately remains at \$1,000.

ATTACHMENT TO REVENUE IMPACT - HB 1964 [Engrossed]
Prepared 3/21/2023 (continued)

The amount of eligible donations for tax years 2024 and 2025 is unknown.² Although the credit is subject to an annual cap of \$2 million, the calculation requires a two year look back. This effectively renders the cap ineffective for the first two tax years (2024 and 2025). The expected revenue impact of this proposal is an unknown decrease in income tax collections for tax year 2024. No changes in withholding or estimated tax payments are anticipated; the full impact of this proposal would occur in FY 25 when the 2024 returns are filed.

² Public filings for one Oklahoma vision research institute reported contributions and grants of approximately \$5.4 million. It is unknown how many of the donations were in excess of the maximum credit amount.