



2012 Agenda: A More Prosperous Oklahoma

Taxes

Governor Fallin believes that lower taxes lead to job creation, increased productivity and greater prosperity. To further reduce the tax burden on working Oklahomans and to stimulate economic growth, the governor has proposed the Oklahoma Tax Reduction and Simplification Act.

The governor's plan represents the boldest, most significant income tax reduction in state history. In her words, it is a "game changer" for Oklahoma.

Oklahoma Tax Reduction and Simplification Act

Governor Fallin's tax proposal replaces Oklahoma's complicated seven bracket income tax structure, which taxes the first penny that every Oklahoman makes, with three new lower, flatter and simpler rates. These tax cuts would go into effect on January 1, 2013. This plan represents a tax cut for the vast majority of taxpayers in every income bracket without increasing other taxes, or shifting the burden on to others. Furthermore, the governor's plan achieves a large, across-the-board tax cut while protecting core government services without adversely affecting the working poor and middle class.

Governor Fallin's Plan vs. Current Structure

Single Returns					
Governor Fallin's Plan			Current Structure		
Bracket	Taxable Income	Tax Rate	Bracket	Taxable Income	Tax Rate
1	\$0 under \$15,000	0.000%	1	\$0 under \$1,000	0.50%
2	\$15,000 under \$35,000	2.250%	2	\$1,000 under \$2,500	1.00%
3	\$35,000 and above	3.500%	3	\$2,500 under \$3,750	2.00%
			4	\$3,750 under \$4,900	3.00%
			5	\$4,900 under \$7,200	4.00%
			6	\$7,200 under \$8,700	5.00%
			7	\$8,700 and above	5.25%
Married Joint, Head of Household, Surviving Spouse Returns					
Governor Fallin's Plan			Current Structure		
Bracket	Taxable Income	Tax Rate	Bracket	Taxable Income	Tax Rate
1	\$0 under \$30,000	0.000%	1	\$0 under \$2,000	0.50%
2	\$30,000 under \$70,000	2.250%	2	\$2,000 under \$5,000	1.00%
3	\$70,000 and above	3.500%	3	\$5,000 under \$7,500	2.00%
			4	\$7,500 under \$9,800	3.00%
			5	\$9,800 under \$12,200	4.00%
			6	\$12,200 under \$15,000	5.00%
			7	\$15,000 and above	5.25%

A Path to Prosperity

Reductions in the personal income tax will increase individual purchasing power and business expansion, which will result in increased revenues from other sources, such as the sales tax, corporate income tax, excise tax and other tax revenues. In terms of growth, employment, and other economic indicators, we know that on average, low-taxed states outperform high-taxed states. According to Americans for Prosperity, “over the past decade, non-income tax states have seen 59 percent economic growth, versus just 38 percent for high-income tax states.” In addition, “job growth has been 4.7 percent in the non-income-tax states, while high-income tax states actually lost 2.9 percent of their jobs.”

Today, Oklahoma ranks 38th in the nation in terms of the individual income tax rate according to the Tax Foundation. At the start of Fiscal Year 2011, the states with the lowest top statutory income tax rate include Pennsylvania at 3.07 percent, Indiana at 3.4%, Michigan at 4.35 percent, Arizona at 4.54 percent and Colorado at 4.63 percent. Governor Fallin’s tax cut places Oklahoma squarely in competition with those lower-taxed states at a top statutory income rate of 3.5 percent, and would rank the state as the second-lowest in the region among Arkansas, Kansas, Louisiana, Nebraska, New Mexico and Texas.

After 2013, the governor proposes further reductions by cutting the remaining income tax an additional quarter point in every year where the state of Oklahoma hits a revenue growth trigger of 5%; eventually eliminating the income tax for every Oklahoman. Governor Fallin’s income tax plan is a bold, responsible and pro-economic growth measure that will lead to greater prosperity for all Oklahomans for decades to come.

Tax Credits and Transparency

Governor Fallin recognizes that the current tax credit structure in Oklahoma often forces the state to pick winners and losers. That is why the governor plans to eliminate tax credits that cost the state approximately \$200 million under the current tax structure in order to produce savings within government, eliminate waste and ensure that all Oklahomans in every income tax bracket are winners by allowing them to keep more of what they have worked so hard for.

In addition, Governor Fallin supports efforts to increase and expand transparency to the current tax expenditure reporting system and state Open Books web site, by providing more details on all state tax provisions such as present and future cost estimates, the number of recipients, and more.

Additional savings

In addition, Governor Fallin’s simplification of the system will save the Oklahoma Tax Commission an estimated \$300,000 in processing, printing and mailing costs in Fiscal Year 14. This represents savings that could be used to hire five-six additional compliance officers who could help generate more than \$2 million a year in uncollected sales and use tax.