

JOINT PROPOSAL FOR INCOME TAX REDUCTION AND TAX CODE SIMPLIFICATION

LOWER RATES AND SIMPLER BRACKETS

- Reduce the top rate to 4.80% for tax years 2013 & 2014
- Simplify the brackets and rates (graduated rate system) and eliminate the existing marriage penalty:

Rates	Single Brackets	Marriage Brackets
1%	0 to 2,500	0 to 5,000
3.3%	2,501 to 7,500	5,001 to 15,000
4.80%	7,501 and over	15,001 and over

PERSONAL INCOME TAX REFORM

- Retain the full personal exemption of \$1,000 per dependant on Oklahoma adjusted gross income for individuals making \$35,000 or less and joint filers making \$70,000 or less; eliminate the exemption for returns with income above those levels
- Eliminate the deduction for state income or sales taxes paid included within the federal itemized deductions. Oklahoma is one of only 7 states that allows the deduction of state taxes paid; and
- Eliminate the deduction for political contributions

TAX CREDITS ELIMINATED

- Recycling and Hazardous Waste; Manufacturing Gas Consumption; Energy Conservation Assistance Fund; Sale of National Historic Landmark; Employer Child Care Services; Child Care Center; Ad Valorem Credit for damaged/destroyed property; Small Business Guaranty Fee; Hepatitis A Immunization; Employer Credit for Wages and Modification for Injured Employees; Ethanol Facilities; Biodiesel Facility; Incentive District Investment; Poultry Litter Transportation; Film or Music Projects Investment; Dry Fire Hydrant or Water Storage; Specially Trained Canines; Computer Industry; Electric Motor Vehicle; Native American Employment; OSHA Safety Pays; Small Business Technology Transfers; Interest and Dividend Exemption; Swine and Poultry Producers; Police Corps Scholarship Program; Living Organ Donation; Competitive Livestock Show Award; Rural Economic Development Loan; Stafford Loan Origination Fee; New Computer & Data Processing Employees; Small Business Incubators – Sponsors; Small Business Incubators – Tenants; Oklahoma Capital Investment Board

Estimated impact to total personal income tax collections:

FY-13 (\$ 32.7 million)

FY-14 (\$102.0 million)

FUTURE TAX CUT TIED TO ONE-TIME REVENUE TRIGGER

- 5% Trigger; Based on growth of Personal Income Tax, Sales, Use, Motor Vehicle, and Corporate tax collections; Review to be only for Tax Year 2015; FY-13 Collections to the General Revenue Fund from the 5 sources used as a baseline
- 1 Rate Move: (.30%) to end at 4.50% top rate in Tax Year 2015
- The .30% reduction incurs an additional estimated cost of \$171 million