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Oklahoma Policy Institute

2017 POLICY PRIORITY: HALT THE NEXT TAX CUT

Background

Back in 2014, when the state's economy was enjoying strong growth tied to high energy prices, lawmakers approved a cut in Oklahoma's top personal income tax rate to take place over the coming years. The tax cut was to be implemented in two steps, with each step – from 5.25 to 5 percent and from 5 to 4.85 percent – triggered by projected growth in state revenue collections. Yet because of how the trigger was written, the first tax cut took effect in 2016 when oil prices had plummeted, the economy had slowed, revenues were falling, and the state was facing a \$1 billion budget shortfall.



Oklahoma has now endured repeated years of deep cuts in funding that are damaging schools, health care providers, correctional facilities, and other core services. In February, the State Equalization Board determined that the trigger will not kick in automatically in 2018. However, under current law, we could still be facing a tax cut in 2019 if revenues are projected to grow by as little as 2 percent, even if tax collections remain far below pre-recession levels and the state continues to face ongoing budget shortfalls.

The Solution

The Legislature should repeal the trigger language. We need to decide tax policy based on current conditions, not based on an automatic trigger approved years ago when the state's current financial situation was unforeseeable. Lawmakers should also reject the idea that a modest level of revenue growth means we can afford more tax cuts — an idea that ignores the reality that state government must spend more over time to provide the same services as populations grow and costs rise. SB 170 would repeal the next tax cut. If they do not repeal the next scheduled income tax cut altogether, the Legislature should at least act in 2017 to raise the trigger threshold to give Oklahoma more time to recover from repeated budget cuts. SB 130 would delay the next tax cut until total appropriation authority reaches \$7.5 billion plus the cost of the tax cut.

What You Should Do

Contact your state Representative and Senator and urge them to repeal or revise the trigger language and prevent another tax cut in 2018 or 2019.

You can look up your Senator and Representative at <http://okpolicy.org/find-your-legislator/>, call the House switchboard at 405-521-2711, and call the Senate switchboard at 405-524-0126.