

### Income Tax Cuts Have Dampened Oklahoma Revenues by \$400–\$600 Million

- ⇒ Individual income tax collections over the last two state budget years (fiscal year 2007 and 2008) grew by less than 1 percent. This miniscule growth reflects the impact of tax cuts enacted between 2004 and 2006 that began to take full effect .
- Between 2004 and 2006, the state's top income tax rate was cut, the standard deduction was raised, and other cuts to the personal income tax were enacted.
- ⇒ Individual income tax collections are normally among the state's fastest growing revenues sources:
- For the 15-year period between FY '92 and FY '06, personal income tax collections grew at an average annual rate of 7.5 percent. Over the same 15-year period, sales tax collections grew at an annual average rate of 4.1 percent . Overall state tax collections grew at an annual average rate of 5.2 percent.
  - In every growth year between FY '95 and FY '06, income tax collections outgrew sales tax collections substantially (FY '95- FY '99, FY '04-'06) or were roughly equal (FY '00–FY '02).
- ⇒ However, for the two years of FY '07 and FY '08, while the income tax cuts have taken effect, sales tax collections rose at an annual average rate of 7.2 percent, while individual income tax collections increased by just 0.4 percent annually.
- ⇒ Had individual income tax collections grown at the 15-year average in FY '07 and FY '08 (7.5 percent), *revenue collections in FY '08 would have been \$429 million greater than they actually were.*
- ⇒ Had individual income tax collections grown 3 percent more than sales tax collections in FY '07 and FY '08, in line with historical patterns, *revenue collections in FY '08 would have been \$590 million greater than they actually were.*
- ⇒ This additional revenue could have been invested to meet our priorities as a state by defraying increased operating costs for our schools, colleges, and state agencies; providing cost-of-living increases for our teachers and state employees; addressing critical staffing shortages in our child welfare and correctional systems; accelerating improvements to our highways and bridges; and helping us better prepare for looming budget shortfalls.

