



# OKPOLICY.ORG

## Oklahoma Policy Institute

### 2018 POLICY PRIORITY: END THE CAPITAL GAINS TAX BREAK

## Background

Oklahoma allows a 100 percent deduction from state income tax of any gains from the sale of property located in Oklahoma or stock of a company headquartered in Oklahoma. This Oklahoma capital gains deduction was enacted in 2004 as part of State Question 713, which also increased the cigarette tax.

A recent study by PFM Group Consulting for the Oklahoma Incentive Evaluation Commission found that over the past five years, Oklahoma's capital gains deduction has reduced state tax revenues by \$474 million while creating just \$9 million in additional tax revenue – for a net cost of \$465 million. The study also found that on average, 85.5 percent of the total deduction amount was claimed by individuals with income equal to or more than \$200,000.



## The Solution

The PFM Group study concluded that the capital gains tax break cannot “be credibly shown to have significant economic impact or a positive return on investment for the State.” Based on this analysis, the report recommended repealing the tax break. The Legislature should heed this recommendation and end the capital gains tax break. If they are not willing to repeal the tax break outright, then the deduction could be narrowed by limiting it to investments in certain sectors, requiring that gains be reinvested in Oklahoma, or only allowing the exemption for individuals with income below a certain threshold.

## What You Can Do

Contact your state Representative and Senator and urge them to support repeal of the capital gains tax deduction.

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.

To join the grassroots coalition of Oklahomans working to connect Oklahoma values with better budget and tax priorities, visit [www.togetherok.org](http://www.togetherok.org). To receive SMS advocacy alerts on important budget and tax issues, text OKBUDGET to 51555.