

End the capital gains tax break

BACKGROUND

Oklahoma law provides for 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. The capital gains deduction is the most expensive incentive in Oklahoma's tax code, but it has not been found to have a net economic benefit. A 2017 study for the Oklahoma Incentive Evaluation Commission found that over five years, the capital gains deduction reduced state tax revenues by \$474 million while creating just \$9 million in additional tax revenue – for a net cost of \$465 million. This amount does not include deductions claimed by corporations, which the Tax Commission is unable to determine.



The benefit of the capital gains deduction is concentrated with a few extremely wealthy households. Close to two-thirds of the total benefit from the capital gains deduction was claimed by fewer than one thousand households with annual incomes over \$1 million, while only 6 percent of the benefit went to households with incomes under \$100,000, according to Tax Commission data for 2014.

THE SOLUTION

Based on their analysis establishing that the capital gains deduction cannot “be credibly shown to have significant economic impact or a positive return on investment for the State,” the state’s consultants recommended its repeal. The Legislature should heed this recommendation and end the capital gains tax break.

Alternately, 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. The deduction could be preserved for farmers who sell cattle and horses.

A bill to repeal the capital gains deduction authored by Sen. Dave Rader (R-Tulsa) passed the Senate in 2018 with bipartisan support but was not heard in the House.

WHAT YOU CAN DO

Contact your state Representative and Senator and urge them to repeal or limit the capital gains deduction.

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

You can look up your Senator and Representative on our website under the “**Advocacy**” tab on our main menu. You can also call the House switchboard at **405-521-2711**, and the Senate switchboard at **405-524-0126**.



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