

The Impact of the STRC on Oklahoma Families



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Understand the Tax burden on low and middle income families

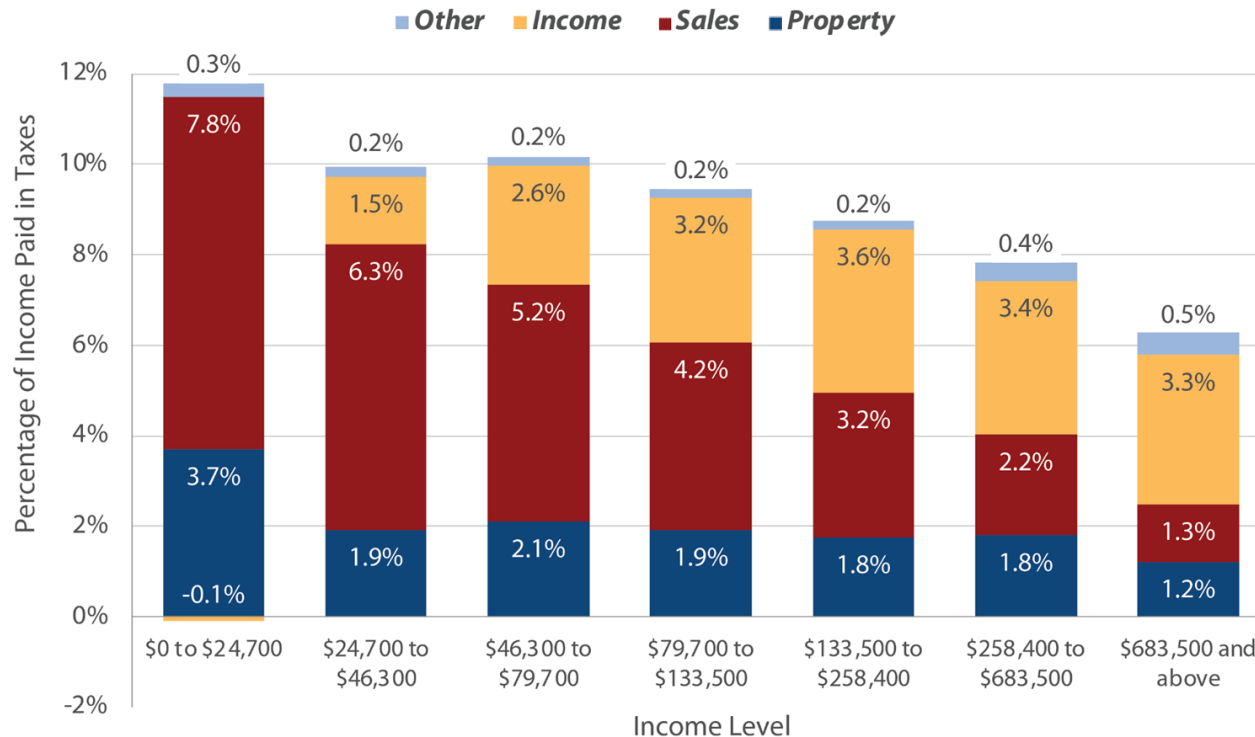
Conceptualize the cost savings of an expanded STRC



Low-income families pay substantial taxes



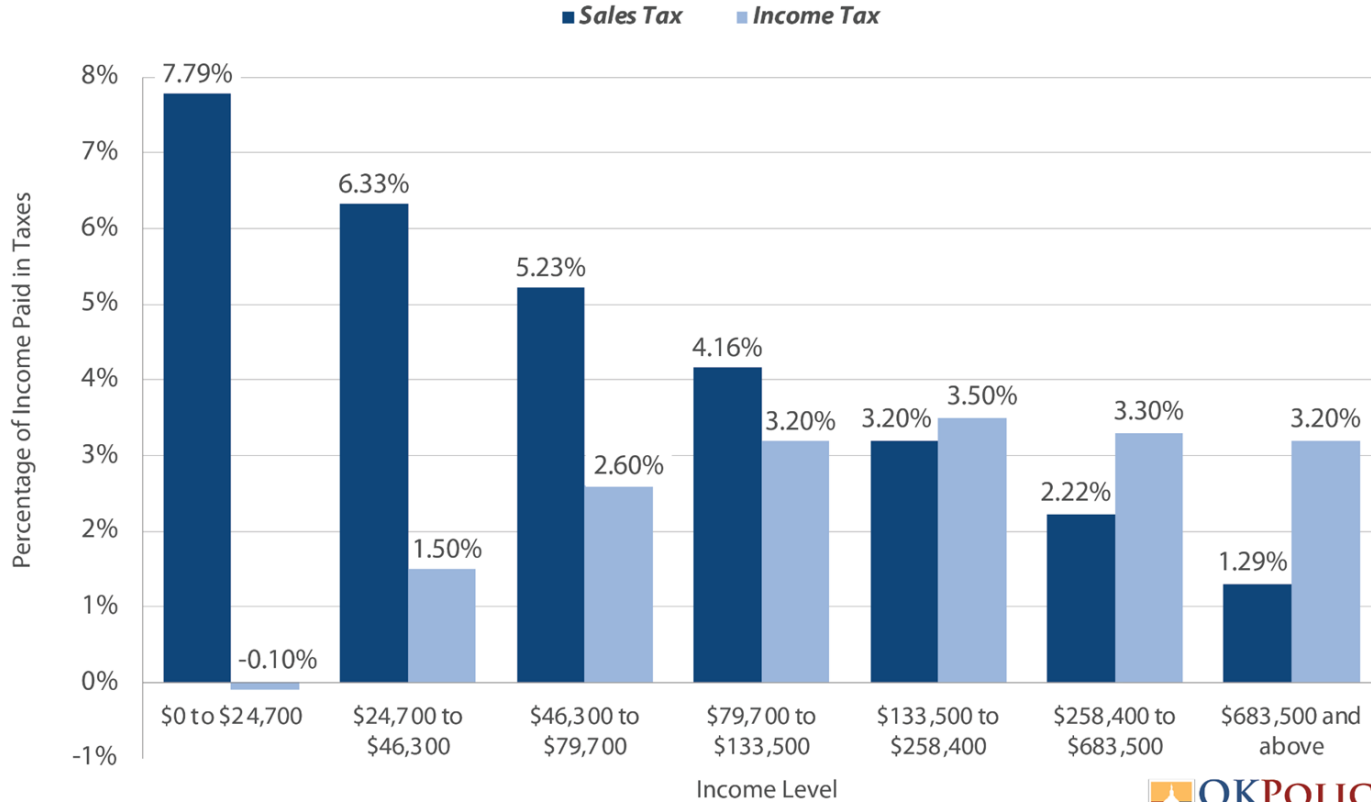
Low-income households pay higher percentages of their income in taxes



Source: ITEP data analysis and modeling



Sales taxes cause the disparity



Source: ITEP data analysis and modeling



STRC: targeted tax relief to low-income families



The story of one family



Joint income: \$50,000

Accounts for 5
exemptions &
the standard
deduction

OK Income tax	\$1,645
OK Sales tax	\$2,200
OK Property tax	<u>\$1,050</u>
Total OK taxes owed	\$4,895



But they receive OK tax credits!

OK taxes owed	\$4,895	(Includes sales and property tax)
OK Child Tax Credit	\$300	\$100 per child x 3 children
OK Earned Income Tax Credit	\$333	5% of 2020 Fed EITC
Sales Tax Relief Credit (x5)	<u>\$200</u>	\$40 per exemption x 5 exemptions
Total taxes owed after credits	\$4,062	



A larger STRC reduces the regressivity of OK tax code

	STRC amount per person	
	\$40	\$200
Total taxes owed	\$4,895	\$4,895
OK Child Tax Credit (x3)	\$300	\$300
OK Earned Income Tax Credit	\$333	\$333
Sales Tax Relief Credit (x5)	\$200	\$1,000
Total taxes owed after credits	\$4,062	\$3,261





Joint income: \$50,000

20% decrease in family's tax burden

STRC amount per person	\$40	\$200
Total taxes owed after credits	\$4,062	\$3,261

\$800 savings



Modernizing options

Increase credit amount
available per exemption

Increase the Income
eligibility for the credit

Implement a phase out
scheme to avoid benefit
cliffs



STRC modernization provides additional targeted relief

Approx. Income distribution
0 to ~\$24K
\$24K to ~\$45K
\$45K to \$76K
\$76K to \$130 K
\$130K to \$250K
\$250K to \$650K
\$650K and above
Cost to the state

Largest
benefit
went to
higher
incomes

Grocery sales Tax Cut	\$265 STRC w/ Phase-out
Est. Annual Savings	Avg. Tax decrease
\$65	\$229
\$125	\$213
\$178	\$57
\$235	0
\$287	0
\$358	0
\$408	0
\$307 M	\$202 M

Targeted
relief for
low
income

Source: ITEP data analysis and modeling



Thank you!

Questions?

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