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SIX WAYS TO BRING IN NEW REVENUES IN SPECIAL SESSION

Even before the court threw out the cigarette fee, the budget severely underfunded core services — worsening the teacher shortage, forcing senior nutrition sites to close, cutting support for foster families, and not even beginning to undo the damage to our communities caused by years of cuts. Lawmakers now have a second chance to get it right and fix the budget by passing widely-supported revenue options. Good options include:

- **Increase the cigarette tax.** A logical starting point for any plan would be to pass the cigarette fee as a tax to pass constitutional muster. However, since we're already well into the fiscal year, a cigarette tax will only be in effect for about 6 months of the current year and will bring in significantly less revenues than the fee that was originally approved. It must be paired with other revenue measures to begin to close this year's full shortfall and to address chronic budget deficits.
- **Restore 7 percent gross production tax.** Oklahoma's reduced 2 percent gross production tax rate for new oil and gas wells is well below taxes in peer energy-producing states. Compared to Oklahoma's traditional 7 percent rate, this tax break is costing close to \$500 million annually. Historically, the oil and gas industry has been highly prosperous while paying a tax rate of 7 percent.
- **Restore some income taxes on very high incomes.** Oklahoma has cut its top income tax rate by nearly 25 percent since 2004. These cuts have contributed to chronic budget shortfalls by reducing annual revenues more than \$1 billion. Oklahoma could restore a rate of 6 percent on income over \$200,000 and 7 percent on income over \$400,000. Only 3 percent of households would be affected by new rates.
- **End the capital gains exemption.** Oklahoma allows residents to pay no income tax on capital gains from the sale of investment property or stock of a company located in Oklahoma. We are the only state that offers a tax break like this; it primarily benefits millionaires; it is of questionable legality and economic benefit; and it is costing more than \$100 million annually.
- **Increase the fuel tax.** Oklahoma has the second lowest fuel taxes in the nation, and our fuel tax has not been adjusted since 1987. Since that time the fuel tax has lost nearly half its value to inflation. Fuel tax increases could also be set to go into effect only when gas prices are relatively low to offset the loss in gross production taxes during times of low oil and gas prices.
- **Cap itemized deductions.** Oklahoma has several options for capping or limiting itemized deduction reform, including ways to limit them while preserving popular deductions like those for charitable contributions. Less than 30 percent of Oklahoma households take itemized deductions on their state tax return.

Contact your two legislators, Governor Mary Fallin, House Speaker Charles McCall, and Senate President Pro Tem Mike Schulz to insist that they use Special Session to find the revenues needed to fund state services.

- Governor Mary Fallin — (405) 521-2342
- Speaker Charles McCall — (405) 557-7412, charles.mccall@okhouse.gov
- President Pro Tem Mike Schulz — (405) 521-5612, schulz@oksenate.gov
- Find your own legislators by calling the House at 405-521-2711 and the Senate at 405-524-0126, or by going to: <https://okpolicy.org/find-your-legislator/>

Find more information and advocacy resources by going to: okpolicy.org/special-2017/