Okla. income tax cut plan laid over in Senate

SEAN MURPHY - Associated Press - Associated Press

The Senate sponsor of a proposal to slash and ultimately eliminate the state's personal income tax agreed Thursday to delay debate on the measure until next week amid mounting opposition to the elimination of various tax exemptions that would be used to offset the lost revenue.

Sen. Clark Jolley, R-Edmond, introduced his bill on the Senate floor that would cut the top income tax rate from 5.25 percent to 2.5 percent and eliminate most personal exemptions and deductions. The bill would continue cutting the income tax until it was completely eliminated by 2022.

Jolley's measure, which is based on a study by conservative economist Arthur Laffer, is one of four separate proposals to reduce or phase out the state's income tax being considered by the Legislature. Each measure, including a proposal by Gov. Mary Fallin, would offset most of the lost revenue by eliminating various tax credits, deductions and exemptions. Jolley's proposal initially got rid of tax deductions for things like Social Security and military retirement benefits to help offset the cost, but Jolley amended the bill to restore those deductions.

"This newest proposal gives much-needed tax relief to our citizens living on fixed incomes, our military, and those who have chosen Oklahoma for their retirement home," Jolley, R-Edmond, said in a statement.

Democrats who oppose the tax cut plan argued that a fiscal analysis of the changes had not been provided to members, and Jolley agreed to lay the bill over until next week.

Special interest groups already have been fiercely lobbying lawmakers to prevent the elimination of tens of millions of dollars in tax breaks and other incentives the state hands out every year for things like restoring historic buildings, wind energy development and building energy efficient homes.

"The lobbying community is alive and well at the state Capitol in Oklahoma," said House Speaker Kris Steele, R-Shawnee, when asked about special interest opposition to cutting industry tax breaks.

Steele, however, remained optimistic that lawmakers will be able to pass meaningful income tax cuts and said Thursday he's assembling a working group of Republican lawmakers to begin vetting the various tax proposals. He said the elimination of tax credits is "directly related" to the plan to cut the personal income tax.

But groups that enjoy various tax credits or personal exemptions are beginning to share their concerns with lawmakers.

The head of AARP Oklahoma released a statement Thursday saying the group that represents retirees is advocating for a "fiscally responsible and equitable approach on behalf of Oklahoma's seniors and retirees."

"Under these proposals, many Oklahoma seniors and retirees will undoubtedly be subjected to a higher tax burden, including thousands of Oklahoma seniors living on fixed incomes who simply cannot afford an increase in their tax burden," said Sean Voskuhl, state director of AARP Oklahoma. "In addition, AARP Oklahoma is concerned that these proposals may result in a significant revenue shortfall that threatens the state's core services."

Also on Thursday, the state board chaired by Republican State Treasurer Ken Miller that administers the Oklahoma College Savings Plan voted unanimously to oppose any plan to eliminate the state tax deduction for contributions to the college savings plan.

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