

SENATE DEMOCRATS PROPOSE “HOPE” TAX CUT PACKAGE

Democratic Senator Jay Paul Gumm is the author of S.B. 958 which contains a series of tax cuts designed to benefit working families and Oklahoma corporate businesses. Under the Democratic Senator’s proposal which has been labeled “Helping Oklahomans Prosper Economically” or “HOPE”, the standard income tax deduction would be increased for the first time in 34 years. The deduction currently is \$2,000 for a married couple and \$1,000 for a single person. S.B. 958 provides that Oklahoma’s standard deduction will be equal to a percentage of the federal standard deduction: 25% of the federal standard deduction for the 2006 tax year, 50% for 2007, 75% for 2008 and 100% for subsequent tax years. This would, of course, help the non-itemizing taxpayer. It also contains a major tax cut for Oklahoma corporations by eliminating from corporate income taxation the capital gains on the sale of (A) Oklahoma real and tangible personal property with a five (5) year holding period or (B) an Oklahoma company, limited liability company or partnership (Oklahoma headquartered company) with a three (3) year holding period. It also increases incentives under the Quality Jobs Program. Finally, “HOPE” includes a sales tax holiday for back-to-school on the same weekend covering the same items as the present Texas sales tax holiday. The negative revenue impact of Sen. Gumm’s bill is estimated to be greater than \$150 million annually. While Republicans have expressed a desire for greater tax relief, Republican Lt. Gov. Mary Fallon said that the Senate Democrat’s plan “is of the ‘Band-Aid on a major wound’ variety.” The proposed tax changes of S.B. 958 other than the phased-in increase of the standard deduction would become effective after December 31, 2005.