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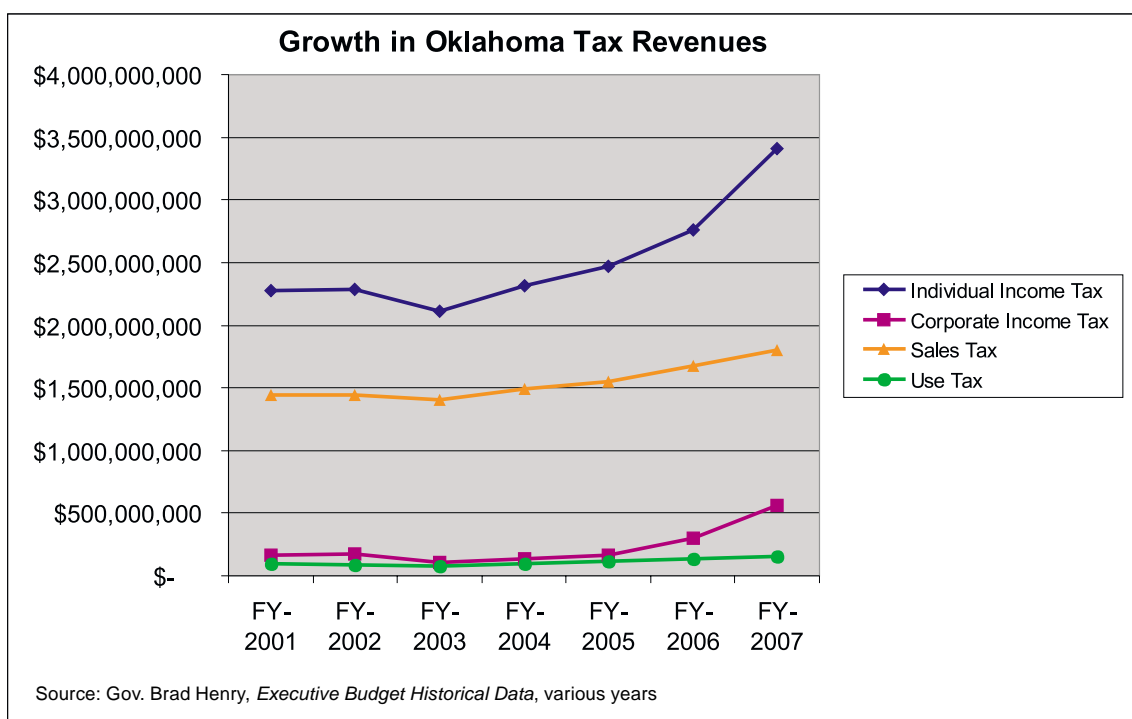
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Oklahoma Income Tax Revenues Continue to ~~Fall~~ Rise

The conventional wisdom says that, because of income-tax cuts signed into law in 2004, 2005, and 2006, Oklahoma's individual income tax revenues are declining.

Nothing could be further from the truth, as the chart below clearly demonstrates. Individual income tax revenues are not falling. They are rising. It only appears otherwise because those with an interest in bigger government are not telling the full story about tax collections.

Let's take a look at what's really happening with income tax revenues.



Let's start with individual income tax revenues for the last year that actual data are available (FY-2007). We're looking here at *actual collections*, not estimates by the governor, the treasurer, or others whose recent estimates have not exactly been renowned for their reliability.

The state Board of Equalization would have you believe the number for total individual income tax collections for FY-2007 is \$2,337,689,693.¹ But in fact, the real number is \$3,413,564,946.²

This reflects a 23.87 percent increase in total collections³ from FY-2006 to FY-2007, despite (or because of) the fact that FY-2007 saw what was at that time the biggest tax cut in Oklahoma history take effect.

Why isn't the truth being told?

— over —

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Well, first of all, finding the truth about tax revenues isn't easy unless you know where to look. Most accountants would have trouble finding these numbers. After hearing the constant refrain about "declining revenue collections," I took the time to look through the governor's budget books of the last several years. Buried in the obscure Schedule D at the very end of the historical-data budget book I found the number for personal income tax revenues.⁴ As I mentioned above, this number for FY-2007 is \$3,413,564,946.

Now the question is, why does this \$3.4 billion get reduced to the \$2.3 billion that the politicians and bureaucrats cite for public consumption? Where did these billion-plus dollars go?

Here's what happens. *Before* individual income tax revenues become available for appropriation, several groups get a piece of the pie. For example, the Oklahoma Teachers Retirement System has been removing money at an increasing rate from the state's coffers to support its pension plan. From FY-2005 to FY-2008 the funds removed from individual income tax, corporate income tax, sales tax, and use tax revenues have increased by 33 percent. In FY-2008 propping up this archaic pension plan will take 5 percent of individual income-tax payments. And the education establishment doesn't stop there. They also help themselves to an additional 8.34 percent of individual income tax revenues. Again, this is *before* the appropriations process begins.

And it's not just the education establishment. The biggest pre-appropriations "split-off" actually comes courtesy of the Quality Jobs Act tax credits and other tax credits that have been enacted over the years. These amounts are conveniently left out of the Board of Equalization numbers.

In short, *before* legislators ever sit down to appropriate money to state agencies—to divvy up the pie—some folks have managed to sneak into the kitchen and help themselves to several pieces of the pie. These several pieces add up to more than a billion dollars. And just because these dollars are not available to appropriate doesn't mean they haven't flowed to the state treasury. They *have* flowed to the state treasury, and they've been flowing in increasing amounts.

Repeat: Individual income tax revenues are not falling. According to the governor's own budget books, they are rising. ☺

—*This memorandum was prepared by OCPA research fellow Steve Anderson (MBA, University of Central Oklahoma), a Certified Public Accountant with more than 20 years experience in private practice. Mr. Anderson previously spent two years as an analyst in the Oklahoma Office of State Finance.*

Endnotes

¹ Board of Equalization packet, Itemized Estimates of Revenue schedule, February 2008.

² Governor Brad Henry, *FY-2009 Executive Budget Historical Document*, Appendix D, February 4, 2008, <http://www.ok.gov/OSF/documents/bud09hd.pdf>.

³ Ibid.

⁴ Ibid.
