

## **Support an Expansion of the Sales Tax Relief Credit (HB 1383)**

### **The Sales Tax Relief Credit provides a boost to more than one in four Oklahomans**

- The Sales Tax Relief Credit provides an income tax credit of *\$40 per household member* based on the following eligibility:
  - Income up to \$50,000 for households with a dependent child, senior, or disabled person;
  - Income up to \$20,000 for other households.
- The credit was claimed by **475,455 households** and by a total of **1,001,850 individuals** in 2014.
- The total amount of the credit claimed was \$40.0 million.

### **The Sales Tax Relief Credit makes the tax system more helpful to working families**

- The Sales Tax Relief Credit was enacted in 1990 as a way to offset the sales tax on groceries for families with low and moderate incomes. Oklahoma is one of only six states that taxes groceries at the same rate as other products.
- Most households that receive the credit gained little from the income tax cuts of recent years because most or all of their income isn't taxed at the top rate.
- Because of Oklahoma's relatively high sales tax, families with low and moderate incomes pay a much higher share of their household income in state and local taxes than do higher-income households.

### **The Sales Tax Relief Credit hasn't kept pace in recent years**

- The amount of the credit - \$40 – has never been increased since the credit was first enacted in 1990. During that time, the credit has lost over half its value due to inflation.
- The income eligibility threshold for the credit was last expanded in 1998. Even as our population increases, the number of households claiming the credit has fallen by 40,000 over the past four years as overall incomes rise.

### **HB 1383 would do three things to modernize the Sales Tax Relief Credit:**

- It increases the credit from \$40 to \$60 per household member for those currently eligible for the credit;
- It provides a half-credit of \$30 for those with slightly higher income (between \$50,000 and \$60,000 for households with children, seniors and persons with disabilities; between \$20,000 and \$30,000 for others). This helps address the "cliff effect" of people losing the entire credit if their income rises even \$1 above the eligibility threshold.
- After 2018, it indexes eligibility for the credit to inflation.

While many people would strongly support eliminating the sales tax on groceries, boosting the Sales Tax Relief Credit would provide targeted assistance for those most in need of help with a much smaller fiscal impact.

### **Bottom Line:**

**Support HB 1383 to help hard-pressed families and seniors afford groceries and other needs.**