

Critics, taxpayers hesitant over proposed tax cut

Some Oklahomans say proposed income tax cut, pushed by Republicans, would give little benefit

By Dan Holtmeyer, Associated Press
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OKLAHOMA CITY (AP) -- To the typical Oklahoman, an income tax cut proposed by Gov. Mary Fallin and embraced by legislators won't mean much to the bottom line.

If enacted as the governor set forth in her State of the State address last week, the average taxpayer would save about \$80 a year, according to the state's revenue office. That's a little over \$6 a month — enough for 1½ gallons of gas, or 2 gallons of milk, or most of Netflix subscription.

"I guess it could buy me another coffee," Niki Palmer said with a laugh one morning at Coffee Slingers in downtown Oklahoma City. At her income, Palmer, 26, an airman at Tinker Air Force Base, would get back less than the average per year: \$14, or as she put it, three coffees.

But the governor and Republican legislators want Oklahomans to consider the bigger picture. They say lower taxes can "grow" the economy by encouraging investments and allowing businesses to hire more people.

"This decision is an economic growth decision as well," said Finance and Revenue Secretary Preston Doerflinger, the governor's chief budget negotiator.

Fallin has proposed cutting Oklahoma's highest tax rate — on taxable incomes above \$8,700 — from 5.25 percent to 5 percent, starting Jan. 1, 2014. When fully implemented, the cut would cost the state \$120 million in revenue, according to the Oklahoma Tax Commission.

John Estus, the director of public affairs for the Office of Management and Enterprise Services, which tracks state budgets and revenues, said the tax cut would have no impact on about 40 percent of the state's taxpayers.

"If it could do more for, let's say, the lower class, then it'd be worth it," said Robin Pena, who with her husband, Javier, an electrician, would get back less than \$50 in 2014 with the tax cut.

Their insurance recently jumped by \$20 per week, she said, and with five children, six dollars a month would be less than a dollar per person.

"Instead of doing that," Peña said, "I think they should just take that money they're trying to help people save — they should put it toward the homeless shelter or something."

Laura Massenat, who co-owns Elemental, another Oklahoma City coffee shop, and is a member of the city's School Board, said even her benefit from the tax — more than \$200 because of her income — wouldn't make much difference for her.

"That's not going to create jobs in my business," she said as she poured steaming water into coffee grounds. "I want education to get its share."

Democratic critics say losing \$120 million in revenue without some kind of replacement money is unacceptable when education, corrections and other departments need more funding — a need Fallin and other Republicans have acknowledged.

"We need to pay for it with tax credits or maybe other incentives," Senate Minority Leader Sean Burrage said in a phone interview.

Without some measure to make the cut revenue-neutral, he added, "I would expect that most if not all of my caucus would vote no."

But Doerflinger said Oklahoma has cut its income tax six of the past 15 years, and in all but one of those cases state revenue actually surged the next year to more than cover whatever the state lost.

The outlier: 2001, the cut after Sept. 11 helped spark a recession.

Republican leaders said they're behind the proposal all the way, hoping to avoid a repeat of last year's botched attempt to lower income taxes drastically. With solid majorities in both chambers and a Republican governor, the tax cut is likely to pass if Republicans remain united.

Though a handful of legislators have proposed other ways to lower those taxes, the focus this session is on Fallin's 0.25 percent cut, said Rep. Earl Sears, chairman of the House Revenue and Tax Subcommittee.

"We've all agreed that's a good starting point," he said.

"I'm well aware that the state agencies are requiring different funds," Sears added. "I've put another state agency in front of me, and that state agency is the taxpayers."