November 20, 2014

An Open Letter to the Citizens of the State of Oklahoma,

The Oklahoma Supreme Court recently heard oral arguments in a lawsuit brought against Senate Bill 1246, which was passed by the Oklahoma Legislature and signed into law by Governor Mary Fallin in the 2014 legislative session.

That piece of legislation, now state law, was intended to reduce Oklahoma’s personal income tax rate if certain state tax collection targets are met. The lawsuit against the new statute is being aided by vocal opponents of income tax reductions.

According to those who filed the lawsuit, the new law violates provisions of State Question 640, originally approved by a majority of Oklahoma voters in 1992 with the goal of making it more difficult for state lawmakers to increase taxes paid by Oklahomans.

In 1992, state lawmakers’ ability to increase taxes and revenue needed to be restrained. The subsequent constitutional restraint requires that bills creating or increasing taxes, or making new revenue sources for the purpose of funding government, start in the state House of Representatives. Also, such bills cannot be passed in the final five days of the legislative session. As well, they must either be submitted to a vote of the people or receive three-fourths approval by both the state Senate and House of Representatives.

The lawsuit against the new tax reduction attempts to make the case that any bill related to taxes or revenue, whether it increases or decreases taxes paid by Oklahomans, is subject to the provisions of SQ 640. This interpretation violates the plain wording of the amendment and the intent of the voters.

Taxpaying Oklahomans should be alarmed by arguments made last month before the state Supreme Court justices regarding the intent of SQ 640. It was argued before the Court that, when the citizens voted in 1992 to make it more difficult for the state Legislature to increase their taxes, it was actually the intent of voters to make it more difficult to lower their taxes. Such an interpretation would mean SQ 640 applies to any bill dealing with revenue. This is a direct violation of the plain language of the statute in question and the clear intent of the voters. If a subsequent ruling by the Court reflects such rationale, this will have grave consequences on the ability of the Legislature in the future to provide relief to taxpayers.

If the state Supreme Court rules according to the lawsuit’s interpretation, there could be serious consequences. Minor or technical amendments to revenue-related statutes, bills lowering fees, and prior personal income tax cuts, business tax cuts, estate tax cuts, credits and deductions for seniors, and retiree and veteran tax relief could all be challenged and overturned.

It is even possible that dozens, if not hundreds, of past measures enacting tax relief or the expenditure of revenue could be immediately ruled null and void.

Such a ruling sets a precedent benefiting only those who want to undo such prior tax relief as the gross production tax compromise, also passed during the 2014 legislative session.

As well, any law passed in Oklahoma since 1992 that increased or decreased the amount of funds in the state Treasury could be immediately deemed unconstitutional if it failed to meet the standards of SQ 640. This could include state budget bills, which are routinely passed in the final days of session, jeopardizing funding for schools, public safety, transportation infrastructure and safety net services.

Tax-relief measures enacted in Oklahoma since SQ 640’s passage in 1992 that could potentially be ruled unconstitutional, should SB 1246 be struck down by the Court, would include:

* Reductions of the state’s personal income tax rate from 6.65 percent down to 5.25 percent; passed in 2005 and 2006
* Manufacturing exemption against the state’s corporate income tax for distributors; passed in 2005
* Prohibition of taxation on intangible personal property; sent to the voters for approval in 2012
* Setting of the state’s gross production tax rate at 2 percent for all new oil and natural gas wells drilled in the state, for the first three years of a well’s production; passed in 2014
* Repeal of Oklahoma’s estate tax; passed in 2005
* Tax relief for all disabled military veterans filing personal income tax returns in Oklahoma; passed in 2005
* Tying of the state’s standard deduction for taxpaying families to match the federal standard deduction; passed in 2006
* Tax relief for all private-sector retirees filing personal income tax returns in Oklahoma; passed in 2006
* Tax relief for all military veterans filing personal income tax returns in Oklahoma; passed in 2006

Clearly, this was not the intent of Oklahoma voters when they approved SQ 640 in 1992. Such actions by the state Supreme Court would inflict unnecessary hardship on Oklahoma families, retirees, veterans, entrepreneurs and job-creators.

It is our sincere hope that the Oklahoma Supreme Court will use discretion and sound judgment and not rule in such fashion as to throw out two decades-worth of tax reductions for Oklahoma taxpayers. It is truly bizarre to imagine that Oklahoma voters desired in 1992 to make it more difficult than it had previously been for state lawmakers to take less of their money.

Since 1992, Oklahomans have benefited from numerous state-level tax reductions and suffered few state-level tax increases. SQ 640 has been a good protection against rapid escalation of state-level tax rates and unnecessary growth of state government. Our state and its people have benefited as a result.

Sincerely,

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| State Rep. Gary Banz  Midwest City  State Sen. Bill Brown  Broken Arrow  State Rep. David Brumbaugh  Broken Arrow  State Rep. Kevin Calvey  Oklahoma City  State Rep. Mike Christian  Oklahoma City  State Rep. Josh Cockroft  Tecumseh  State Sen. Nathan Dahm  Tulsa  State Sen. Kim David  Porter  State Rep. David Derby  Owasso  State Rep. George Faught  Muskogee  State Rep. Dan Fisher  Yukon  State Sen. AJ Griffin  Guthrie | State Rep. Elise Hall  Oklahoma City  State Rep. Dennis Johnson  Duncan  State Sen. Clark Jolley  Edmond  State Rep. Mark Lepak  Claremore  State Sen. Kyle Loveless  Oklahoma City  State Rep. Charles McCall  Atoka  State Rep. Lewis Moore  Arcadia  State Rep. Glen Mulready  Tulsa  State Rep. Jason Murphey  Guthrie  State Sen. Dan Newberry  Tulsa  State Rep. Tom Newell  Seminole  State Rep. Charles Ortega  Altus | State Rep. Leslie Osborn  Mustang  State Rep. Michael Rogers  Broken Arrow  State Rep. Todd Russ  Cordell  State Rep. Mike Sanders  Kingfisher  State Sen. Ralph Shortey  Oklahoma City  State Sen. Rob Standridge  Norman  State Rep. Chuck Strohm  Tulsa  State Sen. Greg Treat  Oklahoma City  State Rep. Ken Walker  Tulsa  State Rep. Paul Wesselhoft  Oklahoma City  State Rep. Harold Wright  Weatherford |