



Oklahoma Economic Report™

State Treasurer Randy McDaniel

News and analysis of Oklahoma's economy • A publication of the State Treasurer's Office

Improving quality of life

August is set aside as the month to observe and promote ABLÉ programs throughout the country.

ABLE to Save Month is an opportunity to highlight the value and importance these plans bring to those living with disabilities.

Oklahoma's official ABLÉ plan, OK STABLE, is administered by State

Treasurer Randy McDaniel and was launched in May 2018.

OK STABLE operates under the federal Achieving a Better Life Experience Act (ABLE Act), which created a tax-advantaged option

for qualified individuals living with disabilities and their families to save for the future, while protecting eligibility for public benefits.

People with disabilities that

“OK STABLE can change the lives of individuals with disabilities and their families.”

SEE IMPROVING PAGE 3

Contents

- Commentary by State Rep. Kyle Hilbert: Income tax deduction for Oklahomans with disabilities
- Financial Literacy Spotlight: 5 mistakes to avoid when saving for college in a 529 plan
- Gross Receipts: July receipts impacted by tax deadline
- Recession declared over
- Jobless rate trends downward in June
- Economic Indicators

Editor

Tim Allen, Deputy Treasurer for Communications and Program Administration



Governor Kevin Stitt signs House Bill 2178 into law, creating a state income tax deduction for contributions to OK STABLE. Pictured with Stitt are, l-r, Rep. Kyle Hilbert, Treasurer McDaniel, Deputy Treasurer Tim Allen, OK STABLE Ambassadors RoseAnn Duplan, Elynn Hefner and Angela Donley, and Sen. John Michael Montgomery.



Guest Commentary

By Kyle Hilbert,
Oklahoma State Representative

Income tax deduction for Oklahomans with disabilities

The Legislature passed and the governor signed into law House Bill 2178, a measure that creates a state income tax deduction for those who wish to contribute to the State Achieving a Better Life Experience (OK STABLE) program.

The program allows families of people with disabilities to set aside money for their care in a way that earns special tax benefits.

This legislation will improve the quality of life of eligible people with disabilities.

Eligible individuals are those who were blind or disabled before the age of 26 and have been living with their disability for at least one year, or who expect their disability to last for at least a year. The investment accounts allow qualified individuals with disabilities to save and invest money without losing eligibility for

certain public benefit programs, like Medicaid or Supplemental Security Income.

House Bill 2178 was requested from Oklahoma State Treasurer Randy McDaniel.

“ HB 2178 is a bill that will make a real difference for the families and individuals in Oklahoma who most need it.”

also oversees. The 529 program has been immensely successful in helping parents save for their children’s college education.

Under current Oklahoma law, contributions were not deductible, but distributions – including earnings – were tax-free to the designated beneficiary if used to pay qualified disability expenses.

HB 2178 now allows an income tax deduction to STABLE accounts of up to \$10,000 per individual



taxpayer or \$20,000 for taxpayers filing a joint return. The accounts can work alongside Special Needs Trusts and function like a regular checking account. This provides financial independence and empowerment for individuals with disabilities.

Before, individuals with disabilities could only save \$2,000 before losing needs-based benefits. Now, Oklahoma STABLE allows individuals with disabilities to save and invest up to \$15,000 annually without affecting eligibility for certain public benefits programs.

Oklahoma STABLE funds can be used on qualified disability expenses including: education, housing, transportation, health care, assistive technology, employment needs and basic living expenses.

Earnings on the accounts can grow

SEE COMMENTARY PAGE 3



Commentary

FROM PAGE 2

tax-free and are not subject to federal or state income tax as long as the money is spent on Qualified Disability Expenses.

The program was authorized under the bipartisan Achieving a Better Life Experience Act of 2014. Although the federal tax code allows for ABLE accounts, it's up to the states to set up and administer the program. Oklahoma's STABLE program launched May 31, 2018.

Accounts contributed but not deducted by the taxpayer in the tax year for which the contribution is made may be carried forward as a deduction from income for up

to five tax years. Deductions may be taken for contributions made during the tax year and through April 15 of the succeeding tax year, or through the date of a taxpayer's state income tax return excluding extensions, whichever is later.

Under current Oklahoma law, interest dividends and capital gains from funds invested in the OK STABLE program are exempt from Oklahoma income taxes, as are qualified distributions from disability savings accounts established under the OK STABLE program, with respect to the designated beneficiary's income.

Data from the Oklahoma State Treasurer's office indicates there

are more than 800 active STABLE accounts in Oklahoma. It's hoped that with the new change in law, even more individuals with disabilities will have access to these accounts.

I greatly appreciate the work of Senator John Michael Montgomery and our colleagues in the legislature for making this legislation become a reality. HB 2178 is a bill that will make a real difference for the families and individuals in Oklahoma who most need it.

More information about OK STABLE can be found online at <https://okstable.org/>.

Improving

FROM PAGE 1

began by age 26 are eligible to open and use an ABLE account. The OK STABLE program is available for all qualifying Oklahomans.

Federal legislation is under consideration in Washington that would raise the disability onset age to 46 for participation in the program.

Thanks to OK STABLE, more than 800 Oklahomans have been able to set aside \$4.3 million to help them manage their resources while living with disabilities.

"The goal of OK STABLE is to improve the quality of life for individuals with disabilities and their families," McDaniel said.

"The program fosters more independence, transparency and savings. I encourage everyone eligible to open an account today."

Adding a tax break

McDaniel requested legislation to create an Oklahoma income tax deduction on contributions up to \$20,000 to OK STABLE accounts beginning with tax year 2021.

It took teamwork to accomplish the goal, including advocacy from the disability community. The bill, authored by Representative Kyle Hilbert and Senator John Michael Montgomery, sailed through the Legislature and was signed into law by Governor Kevin Stitt.

In addition to the state tax deduction, withdrawals are free from state and federal taxation if they are used for qualified disability-related expenses.

OK STABLE, operating under the

SEE IMPROVING PAGE 4

Opinions and positions cited in the *Oklahoma Economic Report™* are not necessarily those of Oklahoma State Treasurer Randy McDaniel or his staff, with the exception of the *Treasurer's Commentary*, which is, of course, the viewpoint of the treasurer.



Improving

FROM PAGE 3

federal ABLE Act, is now poised to grow substantially as more Oklahomans become aware of its advantages.

The money invested in an OK STABLE account is not counted as a disqualifying asset of the account owner, so it does not impact eligibility for public benefits.

Building for the future

McDaniel said OK STABLE can

change the lives of individuals with disabilities and their families.

“OK STABLE removes disincentives to work and invest, while empowering people to save for the added expenses that come with having a disability,” he said.

Contributions to OK STABLE accounts can come from most sources, including earned income from account owners and their families.

To learn more at OKSTABLE.org.



Treasurer McDaniel and advocates for people with disabilities recently spent time together at the Oklahoma City Zoo and recorded a promotional video for OK STABLE.

Spotlight on Financial Literacy

5 mistakes to avoid when saving for college in a 529 plan

Saving for college in a 529 plan is easy — in theory, at least. To start, you have only to choose a plan and begin putting money away.

But in spite of the apparent simplicity, it is possible to mess up a college savings plan, even after you've succeeded with the much more difficult task of setting aside money to save in the first place.

Yet experts say errors that prevent you from enjoying a 529 plan's full suite of benefits are surprisingly common and easy to make. Here's what to watch out for.

- #1: Leaving a state tax deduction on the table
- #2: Not choosing carefully between low fees and a state tax deduction
- #3: Stopping 529 contributions when your kid enters college
- #4: Missing the American Opportunity Tax Credit
- #5: Choosing a 529 plan through your financial advisor

Learn more at Money.



Pandemic-driven recession declared over

It was harsh and deep, but short-lived.

The recession that began with the start of the coronavirus pandemic lasted only two months, ending in April 2020.

Such was the announcement on July 19, 2021, of the Business Cycle Dating Committee of the National Bureau of Economic Research, the arbiter of the timing of recessions.

It is the shortest U.S. recession on record – dating back to 1854.

According to the committee, the U.S. economy reached a peak in February 2020 with the recession beginning the following month and ending in April.

The end of the recession occurred when the economy reached its lowest point in terms of jobs and output.

Analysts estimate the nation's output of goods and services likely reached its pre-pandemic level during the second quarter of 2021.

U.S. unemployment peaked at 14.8 percent in April 2020 and has since fallen to 5.9 percent in June 2021.

Oklahoma's jobless rate reached 13 percent and fell to 3.7 percent during the same time period.

July gross receipts affected by tax filing deadline

Oklahoma Gross Receipts to the Treasury in July are impacted by last year's delayed income tax filings but show solid economic growth once the extension is taken into account, State Treasurer Randy McDaniel announced.

McDaniel said the monthly report appears negative at first glance

due to a reduced bottom line of 15 percent compared to the same month of last year. However, he pointed out the comparison is distorted because income taxes were paid in July instead

of April in 2020. He also noted every revenue stream except income taxes have substantial gains.

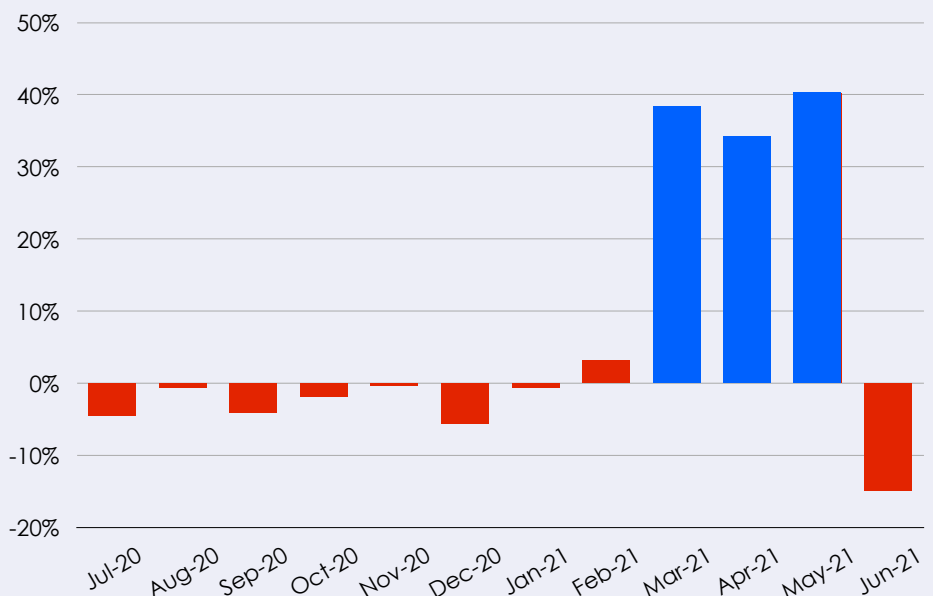
Gross receipts demonstrate a resilient and expanding state economy."

"Gross receipts demonstrate a resilient and expanding state economy," McDaniel said. "Last July's large income tax collections are an outlier caused by a timing issue."

July collections total \$1.22 billion with growth reported in sales and use, motor vehicle, and gross

SEE REVENUE PAGE 6

Monthly Gross Receipts Change from Prior Year



Source: Office of the State Treasurer



Revenue

FROM PAGE 5

production taxes. Even so, individual and corporate income tax receipts are almost 50 percent less this month.

Consumer confidence is strong as sales and use tax receipts are 12 percent higher than a year ago. The gross production tax on oil and natural gas is 260 percent more than last July. Every major revenue stream, including income taxes, exceed collections from 2019.

Twelve-month total collections of \$14.1 billion reflect a year of economic expansion with every revenue source higher than during the previous 12-month period. This 12-month report is the first in 19 months showing positive growth in oil and gas production tax collections.

Other indicators

The Oklahoma Business Conditions Index for July anticipates continued economic growth. The monthly index was set at 72.7, down slightly from 73.6 in June. Numbers above 50 indicate expansion is expected during the next three to six months.

The June unemployment rate in Oklahoma was reported as 3.7 percent by the U.S. Bureau of Labor Statistics. The state's jobless rate was down from 4.0 percent in May and from 8.2 percent in June 2020. The U.S. unemployment rate was set at 5.9 percent in June.

July collections

Compared to gross receipts from July 2020, collections in July 2021 show:

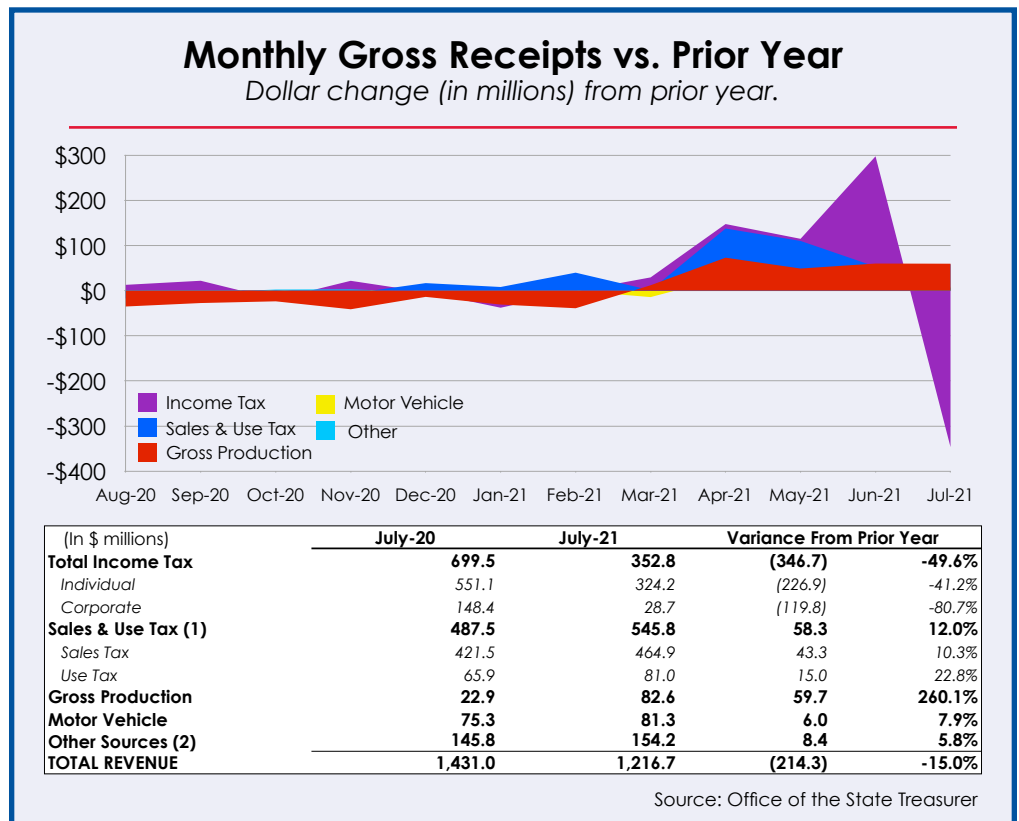
- Total monthly gross collections are

\$1.22 billion, down \$214.3 million, or 15 percent.

- Gross income tax collections, a combination of individual and corporate income taxes, generated \$352.8 million, down by \$346.7 million, or 49.6 percent.
 - Individual income tax collections are \$324.2 million, a decrease of \$226.9 million, or 41.2 percent.
 - Corporate collections are \$28.7 million, down by \$119.8 million, or 80.7 percent.
- Combined sales and use tax collections, including remittances on behalf of cities and counties, total \$545.8 million – up by \$58.3 million, or 12 percent.

- Sales tax collections total \$464.9 million, an increase of \$43.3 million, or 10.3 percent.
- Use tax receipts, collected on out-of-state purchases including internet sales, generated \$81 million, an increase of \$15 million, or 22.8 percent.
- Gross production taxes on oil and natural gas total \$82.6 million, an increase of \$59.7 million, or 260.1 percent.
- Motor vehicle taxes produced \$81.3 million, up by \$6 million, or 7.9 percent.
- Other collections composed of some 60 different sources including taxes

SEE REVENUE PAGE 7





Revenue

FROM PAGE 6

on fuel, tobacco, medical marijuana, and alcoholic beverages, produced \$154.2 million – up by \$8.4 million, or 5.8 percent.

- The medical marijuana tax produced \$5.6 million, up by \$372,354, or 6.7 percent from July 2020.

Twelve-month collections

Combined gross receipts for past 12 months compared to the trailing 12 months show:

- Gross revenue totals \$14.1 billion. That is \$784.3 million, or 5.9 percent, above collections from the previous period.
- Gross income taxes generated \$4.97 billion, an increase of \$237.9 million, or 5 percent.
- Individual income tax collections total \$4.21 billion, up by \$119.5

million, or 2.9 percent.

- Corporate collections are \$759.4 million, an increase of \$118.3 million, or 18.5 percent.
- Combined sales and use taxes generated \$5.88 billion, an increase of \$393.6 million, or 7.2 percent.
- Gross sales tax receipts total \$5 billion, up by \$270.5 million, or 5.7 percent.
- Use tax collections generated \$873.7 million, an increase of \$123.1 million, or 16.4 percent.
- Oil and gas gross production tax collections generated \$814 million, up by \$42.6 million, or 5.5 percent.
- Motor vehicle collections total \$828.3 million, an increase of \$44.7 million, or 5.7 percent.
- Other sources generated \$1.61 billion, up by \$65.6 million, or 4.2 percent.

- Medical marijuana taxes generated \$66.5 million, up by \$21.3 million, or 47.2 percent.

About Gross Receipts to the Treasury

The monthly Gross Receipts to the Treasury report, developed by the state treasurer’s office, provides a timely and broad view of the state’s economy.

It is released in conjunction with the General Revenue Fund report from the Office of Management and Enterprise Services, which provides information to state agencies for budgetary planning purposes.

The General Revenue Fund, the state’s main operating account, receives less than half of the state’s gross receipts with the remainder paid in rebates and refunds, remitted to cities and counties, and apportioned to other state funds.

Learn more: <http://go.usa.gov/xF5mP>

Jobless rate trends downward in June

Oklahoma Unemployment Report
June 2021

	Unemploy. Rate*	Labor force*	Employment*	Unemployment*
Jun-21	3.7%	1,864,283	1,794,740	69,543
May-21	3.9%	1,864,522	1,791,479	73,043
Apr-21	4.1%	1,864,383	1,786,096	79,467
Mar-21	4.3%	1,865,563	1,786,096	79,467
Feb-21	4.4%	1,865,515	1,784,222	81,293
Jan-21	4.4%	1,864,691	1,783,422	81,269
Jun-20	8.2%	1,838,543	1,687,262	151,281

*Data adjusted for seasonal factors

Source: U.S. Bureau of Labor Statistics

The Oklahoma unemployment rate in June was down slightly from May, and substantially below the state’s jobless rate of a year ago. The unemployment rate of 3.7 percent in June is down from 3.9 percent in May and 8.2 percent in June of last year.

The U.S. Bureau of Labor Statistics (BLS) reports the state has added 107,478 jobs over the past year.

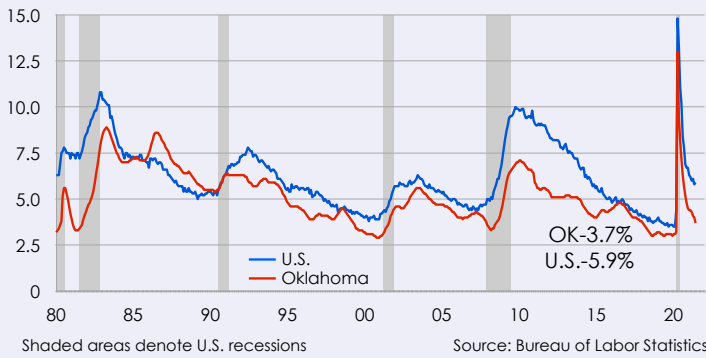
The U.S. jobless rate was set at 5.9 percent in June, according to figures released by the BLS.



Economic Indicators

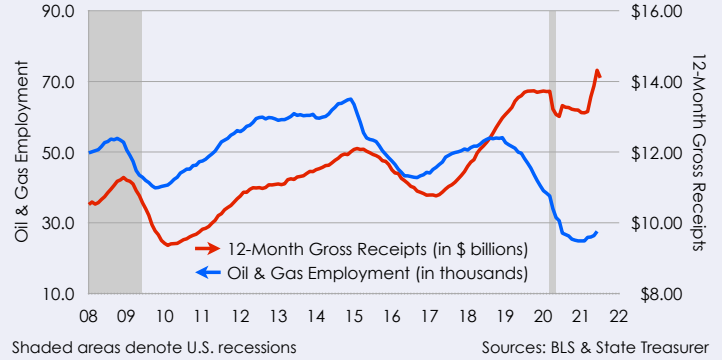
Unemployment Rate

January 1980 – June 2021



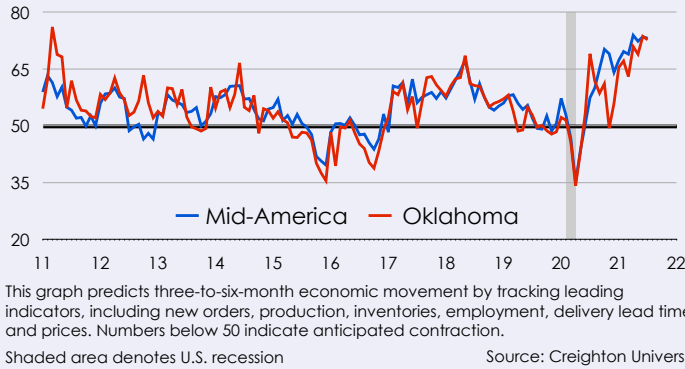
Gross Receipts vs. Oil & Gas Employment

January 2008 – July 2021



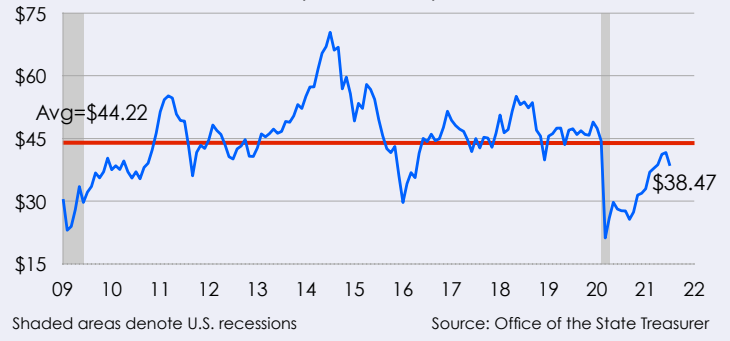
Business Conditions Index

January 2011 – July 2021



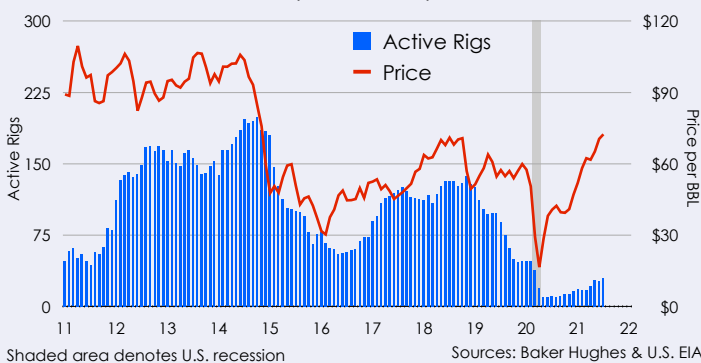
Oklahoma Stock Index

Top capitalized state companies
January 2009 – July 2021



Oklahoma Oil Prices & Active Rigs

January 2011 – July 2021



Oklahoma Natural Gas Prices & Active Rigs

January 2011 – July 2021

