

BILL SUMMARY
1st Session of the 57th Legislature

Bill No.:	HB 1144
Version:	INT
Request Number:	7612
Author:	Rep. Bell
Date:	2/13/2019
Impact:	Tax Commission:
	Revenue Decrease
	FY-20: \$259,000
	FY-21: \$456,000

Research Analysis

Pending

Prepared By: House Research Staff

Fiscal Analysis

Analysis provided by the Tax Commission:

The measure proposes amendment to Section 1357 of Title 68 to provide a sales tax exemption for sales of diabetic-testing and insulin-delivery supplies and equipment, including, but not limited to, devices for monitoring blood glucose levels, devices or instruments for the delivery of insulin into the body, devices or instruments for lancing and glucose test strips.

Insulin delivery devices such as insulin pumps when worn on the body are currently exempted from sales tax pursuant to Section 1357(22) of Title 68. Consequently no impact to state revenues is associated with these devices.

Center for Disease Control information indicates that there are approximately 355,508 Oklahomans diagnosed with diabetes in 2016 and of that amount, 216,212 individuals participate in daily self-monitoring. According to the American Diabetes Association, individuals spend approximately \$151 per year on diabetic supplies. Multiplying the average annual exemption by the 216,212 individuals that self-monitor, results in an estimated \$32,648,012 in purchases. For purposes of this impact, it is estimated that 80% of these purchases would qualify for sales tax exemption under the provisions of 1357.6 of Title 68 with the remaining 20% of these purchases subject to sales tax resulting in an estimated \$6,529,602 in taxable purchases. Application of the state sales tax rate of 4.5% yields an estimated \$293,832 in state sales tax revenues.

This measure provides a blanket exemption for such products. Consequently any purchases by veterinarians or individuals for use in the treatment of animals will also be exempt under this measure. For purposes of this impact, it is estimated that the average pet owner with a pet that has diabetes will spend \$90 per year on their pet's treatment and monitoring. Based upon a Tulsa World story on January 28, 2013, it was estimated that 43% of Tulsan's owned at least one dog, and 32.6% owned at least one cat. This ratio applied to the State of Oklahoma's population of 3,931,000 results in an estimated minimal number of 1,690,330 dogs and 1,281,506 cats that is owned as pets by Oklahomans. Based upon Mypet.com, 1 in 50 cats and 1 in 500 dogs will be diagnosed with diabetes, resulting in an estimated 33,807 cats and 3,381 dogs that have diabetes. Multiplying 37,188 pets by \$90 in cost equate to \$3,346,920 in purchases. Application of the state sales tax rate of 4.5% results in an estimated \$150,611 in state sales tax revenues.

The measure proposes an effective date of November 1, 2019. Application of an inflation rate of 2.5% for FY 21 results in an estimated \$259,258 decrease in state sales tax revenues for FY 20 and an estimated decrease of \$455,554 in state sales tax revenues for FY 21.

Prepared By: Mark Tygret

Other Considerations

None.