

**BILL SUMMARY**  
2<sup>nd</sup> Session of the 58<sup>th</sup> Legislature

<b>Bill No.:</b>	<b>HB 1015XXX</b>
<b>Version:</b>	<b>INT</b>
<b>Request Number:</b>	<b>70034</b>
<b>Author:</b>	<b>Mr. Speaker</b>
<b>Date:</b>	<b>6/15/2022</b>
<b>Impact:</b>	<b>Tax Commission:</b>

**Sales Tax Revenue Decrease:**

**FY-23: (\$287,182,749)**

**Administrative Costs: \$93,750**

**Research Analysis**

Pending

Prepared By: House Research Staff

**Fiscal Analysis**

From the Tax Commission:

The measure proposes to enact 68 O.S. § 1357.11 which provides that on or after July 1, 2022 an excise tax of 0% is imposed upon all retail sales of *food and food ingredients*. It also provides that any sales tax or excise tax levied by a local taxing jurisdiction on sales of food and food ingredients shall be in effect regardless of ordinance or contractual provisions referring to previously imposed state sales tax on the items. Beginning July 1, 2022 and thereafter the amendatory language requires any county or municipality that submits an increase in sales/excise tax to its voters to provide that the increased rate does not apply to “food and food ingredients”. Further, it defines terms such as *food and food ingredients*<sup>1</sup>, *candy*<sup>2</sup>, *alcoholic beverages*<sup>3</sup>, *dietary supplements*<sup>4</sup>, *prepared food*<sup>5</sup>, *soft drinks*<sup>6</sup> and *tobacco*<sup>7</sup>.

The following revenue estimate assumes that the intent of the measure is to reduce the current state sales tax rate of 4.5% imposed on food and food ingredients to 0% beginning July 1, 2022.

The U.S. Census Bureau reports 1,480,061 households in Oklahoma with an average household consisting of 2.58 persons. Based on U.S. Bureau of Labor Statistics the amount of estimated monthly food expenditures for home consumption per household was \$412 for FY 20. The inflation rate for home consumption food increased 0.9% for FY 21 resulting in an estimated \$416 in monthly food expenditures. Multiplying the average food expenditure by 1,480,061 households, results in \$615,705,376 in monthly expenditures for food. Multiplying \$615,705,376 by 12 (months), yields a yearly average expenditure for home food consumption in the amount of \$7,388,464,512. An adjustment for FY 21 food stamp and WIC sales which are currently exempt, in the combined amount of \$1,390,495,640 results in a total at home food expenditure amount of \$5,997,968,872 for FY 22. Application of the current 4.5% state sales tax rate results in an estimated \$269,908,599 in state sales tax revenues. Application of an inflation rate adjustment of 6.4% will result in estimated decrease of \$287,182,749 in state sales tax revenues for FY 23.

Prepared By: Mark Tygret

### **Other Considerations**

The measure will result in an increase of \$93,750 in administrative costs and require a minimum of three months to implement. Consequently, the July 1, 2022 effective date does not afford vendors or the Tax Commission sufficient time in which to implement the proposed changes outlined in the measure.

Oklahoma is a member of and in full compliance with the Streamlined Sales and Use Tax Agreement (SSUTA). Pursuant to Oklahoma's membership in the SSUTA, certain vendors voluntarily collect and remit state and local [city/county] sales and use tax to this state. A condition of membership in the SSUTA is that local jurisdictions that levy a sales tax shall not have more than one local sales tax rate per local jurisdiction.<sup>8</sup> This measure effectively limits application of local sales tax levies enacted on or after July 1, 2022 to taxable transactions other than sales of food and food ingredients. Therefore, local increases in sales tax approved on July 1, 2022 or any time thereafter could effectively violate this condition. If this proposal passes as written, Oklahoma could be found to be out of compliance with the SSUTA; face expulsion therefrom and the annual sales and use tax revenues remitted by the above-referenced vendors would cease resulting in a decrease in state and local sales and use tax revenues.