

BILL SUMMARY
1st Session of the 58th Legislature

Bill No.:	HB 1682
Version:	INT
Request Number:	7147
Author:	Rep. Grego
Date:	2/15/2021
Impact:	Tax Commission:

Sales Tax Revenue Decrease:
FY-22 (\$11,500,000)

Research Analysis

HB 1682 prohibits the Oklahoma Tax Commission from requiring a Schedule F form with respect to a federal income tax return in order to obtain proof of eligibility for agricultural tax exemptions.

Prepared By: Emily McPherson

Fiscal Analysis

Analysis provided by the Tax Commission:

Section 1358 of Title 68 of the Oklahoma Statutes provides an exemption from sales tax for certain enumerated items purchased and used in for profit farming, ranching, and other agricultural operations. Conversely, persons which farm and ranch for personal use or as a hobby are not eligible for exemption.

The Oklahoma Tax Commission is specifically authorized under 68 O.S. § 1358.1(D) to require information sufficient to prove eligibility for the agricultural sales tax exemption. Historically, the OTC has requested submission of the Schedule 1040F from taxpayers, when necessitated, in order to substantiate exemption qualification. In late summer of 2020, the OTC began requesting the referenced documentation for all new applicants in an effort to streamline the application process and eliminate the need to contact applicants for additional information in order to verify that they met the requirements for the agricultural sales tax exemption.

The described practice requiring documentation to prove exemption eligibility is similarly followed for all other sales tax exemptions prescribed by statute.

According to the Oklahoma Tax Commission Tax Expenditure Report for FY 20, a total of \$114,562,000 in exempt state sales taxes were reported for the agricultural sales tax exemption. Restricting the Tax Commission's ability to obtain the necessary documentation in which to determine exemption qualification will result in a 10% increase in exempt state tax attributable to the agricultural sales tax exemption equating to an estimated decrease of \$11,500,000 in state sales tax revenues for FY 22.

Prepared By: Mark Tygret

Other Considerations

None.

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