

BILL SUMMARY
1st Session of the 58th Legislature

Bill No.:	HB 2744
Version:	INT
Request Number:	6100
Author:	Rep. Ford
Date:	2/18/2021
Impact:	Tax Commission:

Revenue Increase:
FY-22: \$0
FY-23: Unknown

Administrative Costs:
Estimated \$100,000

Research Analysis

HB 2744 creates the Tax Exemption Fraud Prevention Act of 2021. The measure authorizes the Oklahoma Tax Commission to issue permits to businesses who qualify for the sales for resale tax exemption. The Commission may also suspend or cancel a permit with cause. To be eligible for this exemption, the purchaser must provide a valid Sale for Resale permit to the vendor they are purchasing from.

Every person holding a sales tax permit and wishing to make purchases for resale is required to secure a Sale for Resale permit annually from the Commission. Once the individual has applied, the Commission may either issue the permit or reject the application.

Each business to be operated must be issued a separate Sale for Resale permit. The permit is not assignable and is only valid for the person whose name it is issued.

It shall be unlawful for anyone to claim a sale for resale exemption unless that person has been issued a Sale for Resale permit. If someone is found to be claiming this exemption without a valid permit, they shall be guilty of a misdemeanor punishable by a fine up to \$1,000, upon conviction, or guilty of a felony for more than one offense punishable by up to \$5,000 and/or no more than two years imprisonment.

The Commission is permitted to release certain information to vendors for their verification of a purchaser's exemption validity.

Prepared By: Emily McPherson

Fiscal Analysis

Analysis provided by the Tax Commission:

The measure requires all vendors subject to the Oklahoma sales tax code, to apply for and obtain an annual “resale permit”⁴ in order to claim a sale for resale exemption. The measure also allows for an appeal process for a denied applicant and sets fines for anyone claiming a sale for resale without a permit(s) or after a permit has been suspended⁵.

The measure also requires vendors to use a system upon development by the Tax Commission (“OTC”) for the purpose of exchanging information with sellers regarding sale for resale permit numbers of purchasers who are seeking to make purchases for resale. It also requires the OTC to provide sellers, free of charge, verification of whether sale for resale permits are valid. The OTC must also provide the seller a transaction code authorizing the seller to sell items purchased for resale to purchasers who hold a valid sale for resale permit. Additionally it authorizes the OTC to release information contained in the Master Sales and Use Tax File to vendors for the purpose of determining the validity of sale for resale permits⁶.

Administrative Costs and Concerns:

The measure will result in an increase of \$100,000 in administrative costs for new personnel, equipment, supplies, and system programming along with a minimum of 6 months in order to implement this measure.

The current effective date of July 1, 2021 does not afford the OTC adequate time in which to perform necessary system modifications, notify and educate vendors of the new permitting requirements or issue new permits. Potentially, for a significant period of time vendors, would no longer be able to purchase items intended for resale exempt from sales tax.

⁴ At no charge and such a resale permit will have an expiration date at 11:59 P.M. on the next June 30th following the effective date of issuance.

⁵ A misdemeanor punishable by a fine of not more than One Thousand Dollars (\$1,000) for the first offense. Anyone found guilty under a second offense will be charged with a felony and a fine of not more than Five Thousand Dollars (\$5,000) or by a term of imprisonment in the State Penitentiary for not more than two (2) years, or both such fine and imprisonment.

⁶ Such information includes permit number(s), name in which the permit is issued, name of the business operation if different from ownership (DBA), mailing address, business address, North American Industry Classification System (NAICS classification), and the effective date of issuance or cancellation of a permit

Prepared By: Mark Tygret

Other Considerations

None.