

BILL SUMMARY
1st Session of the 58th Legislature

Bill No.:	HB 2875
Version:	INT
Request Number:	6016
Author:	Rep. Wallace
Date:	2/24/2021
Impact:	Tax Commission:

Net Revenue Increase:
\$2,160,000

Administrative Costs:
\$10,000

Research Analysis

HB 2875 enacts the Motor Vehicle Tax Equity Act of 2021 for the purpose of providing fair and productive taxation of vehicles designed for use and driving on Oklahoma public highways. Of the 4.5 percent sales tax collected of the gross receipts on sales of public highway electric vehicles, the measure apportions 60 percent of the tax collected to the State Highway Construction and Maintenance Fund and 40 percent of the tax collected for division among county treasurers' offices to be credited to each county's highway fund. The tax liability provided for these electric vehicles shall not exceed \$1,500.

The sale of public highway electric vehicles shall not be exempted from sales taxes.

The definition of *motor vehicle* is modified to include a *public highway electric vehicle*, which is defined to be a motor vehicle sold and used primarily for driving on public highways and is propelled solely or to a significant extent by an electric motor and is capable of being recharged from an external source of electricity.

The measure provides that the in-lieu tax treatment of the excise tax on vehicles does not apply to the 4.5 percent tax on sales and use of public highway electric vehicles.

Prepared By: Emily McPherson

Fiscal Analysis

Analysis provided by the Tax Commission:

Currently, the transfer of ownership of the described vehicles is subject to 3¼% motor vehicle excise tax and 1¼% state sales/use tax levied on the purchase price of the vehicle. Under the measure, it appears that the intent is to subject the sale/transfer of these vehicles to 3¼% excise tax in addition to the 4½% state sales/use tax levy capped at \$1,500.

Motor Vehicle records do not currently capture information in which to specifically identify these vehicles. However, based upon the website “EVAdoption”, a total of 2,683 electric vehicles² were sold in Oklahoma for 2018 and according to Cox Automotive³, the average price of an electric vehicle was \$55,600 in 2019⁴ and the resulting sales tax would be \$2,502 per vehicle. Therefore, multiplying 2,683 vehicles by \$1,500 per vehicle will result in sales tax collections of \$4,024,500 less the 1.25% sales tax amount of \$1,864,685 currently collected on these transactions results in an increase in sales tax revenues of \$2,159,815.

The measure will also result in the reapportionment of an estimated \$1,864,685 in state sales tax⁵ that is currently collected on transfers of these vehicles at the rate of 1.25% as follows:

FY 22 estimated changes in apportionment of sales tax revenues.

- \$1,559,063 estimated decrease to the General Revenue Fund
- \$218,355 estimated decrease to the Education Reform Revolving Fund,
- \$69,925 estimated decrease to the Teacher’s Retirement System
- \$5,840 estimated decrease to the Oklahoma Tourism Promotion Revolving Fund
- \$10,383 estimated decrease to the Oklahoma Tourism Capital Improvement Revolving Fund
- \$1,119 estimated decrease to the Oklahoma Historical Society Capitol Improvement Operations Revolving Fund
- \$2,414,700 estimated increase in apportionment to the State Highway Construction and Maintenance Fund
- \$1,609,800 estimated increase in apportionment to the various county treasurer’s offices for county highway funds.

Administrative Cost:

Currently, the Oklahoma Tax Commission does not possess the software needed to identify the described vehicle. The recurring annual cost to obtain the license, maintenance and updates is \$10,000.

² It is unknown if these sales figures include hybrids or plug-in-electric hybrids.

³ Based on an article in Quartz, dated August 27, 2019 entitled “The Average Electric Vehicle is Getting Cheaper in the U.S.”

⁴ Tesla vehicles accounted for 80% of all EV sales in this study.

⁵ For purposes of this impact it is assumed that all projected transactions relating to sales/transfers of public highway electric vehicles will occur in Oklahoma and as such will be subject to sales tax.

Prepared By: Mark Tygret

Other Considerations

None.