

BILL SUMMARY
2nd Session of the 58th Legislature

Bill No.:	SB 735
Version:	ENGR
Request Number:	NA
Author:	Rep. Moore
Date:	2/21/2022
Impact:	Tax Commission:

Credit Limit Based on Second Preceding Year

Research Analysis

SB 735 creates the Justin Sullivan Trailer Safety Act. The measure provides an income tax credit for the purchase of a safe wheel tethering system for each semitrailer and each frac tank for tax years 2022 through 2026. The amount of the credit will be 20 percent of the purchase price, and the total amount of credits earned by a single individual or entity cannot exceed \$10,000. The Oklahoma Tax Commission is directed to annually adjust the total amount of credits to limit the annual amount to \$250,000.

Prepared By: Emily McPherson

Fiscal Analysis

Analysis provided by the Tax Commission via memorandum:

Engrossed SB 735 (2021) proposes to create the "Justin Sullivan Trailer Safety Act" and to enact a new income tax credit for 20% of the purchase price¹ of a safe wheel tethering system for each semitrailer (as defined by 47 O.S. §1-162) and each frac tank (as defined by 17 O.S. §54) registered under the Oklahoma Vehicle and Registration Act. Effective for tax years 2022 through 2026, an individual or entity may claim up to \$10,000 in total credits, and any unused credit may be carried forward for five consecutive tax years. Total annual credits are capped at \$250,000.

For this proposal, "safe wheel tethering system" means a system that prevents wheel separation from a trailer using a steel cable that runs through the axle tube of the trailer and is tethered to a pair of wheel-end caps located on opposite ends of the trailer axle. Research indicates that only one company manufactures and sells such a system, at a cost of \$3,000 for a two-axle trailer.

Oklahoma Tax Commission (OTC) records for FY 21 indicate a combined total of 164,493 registrations for commercial trailers, including semitrailers, small commercial trailers and frac tanks. In addition, 177,475 semitrailers were registered with the Oklahoma Corporation Commission. The potential revenue impact of this proposal may vary significantly based on the number of safe wheel tethering systems purchased. For example, if an individual credit is claimed for 25% of the semitrailers and frac tanks registered under the Oklahoma Vehicle and Registration Act in 2022, an estimated decrease in income tax collections of \$51.3 million would be expected in FY23 when the 2022 income tax returns are filed. The actual number of safe wheel tethering systems that may be purchased as a result of this proposal is unknown.

Because the \$250,000 annual cap is calculated based on credits claimed in the second preceding year, this credit has no cap for tax years 2022 and 2023. This measure requires the OTC to annually calculate and publish a percentage by which the credits shall be reduced so the total amount of credits used to offset tax does not exceed \$250,000 per year. The formula to be used for the percentage adjustment for tax year 2024 is \$250,000 divided by the credits claimed in tax year 2022.

¹ It is assumed that a safe wheel tethering system purchased prior to the effective date of this proposal would also qualify for the credit.

Prepared By: Mark Tygret

Other Considerations

None.

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