

OKLAHOMA TAX COMMISSION

**REVENUE IMPACT STATEMENT AND/OR ADMINISTRATIVE IMPACT STATEMENT
FIRST REGULAR SESSION, FIFTY-EIGHTH OKLAHOMA LEGISLATURE**

DATE OF IMPACT STATEMENT: March 18, 2021

BILL NUMBER: HB 1588 **STATUS AND DATE OF BILL:** Engrossed 03/11/2021

AUTHORS: House Dempsey, Roberts (Dustin), McBride & Grego Senate Bullard

TAX TYPE (S): Sales Tax **SUBJECT:** Exemption

PROPOSAL: Amendatory

The measure proposes to amend Section 1357 of Title 68 by providing a sales tax exemption beginning January 1, 2022 until January 2027, for sales of commercial forestry service equipment, limited to, forwarders, fellers, bunchers, track skidders, wheeled skidders, hydraulic excavators, delimiters, soil compactors and skid steer loaders, to businesses engaged in logging, timber and tree farming.

EFFECTIVE DATE: January 1, 2022

REVENUE IMPACT:

Insert dollar amount (plus or minus) of the expected change in state revenues due to this proposed legislation.

FY 22: \$505,000 decrease in state sales tax revenues.

FY 23: \$1,227,000 decrease in state sales tax revenues.

Mar 19, 2021
DATE

Rick Miller
DIVISION DIRECTOR

msm

3/19/2021
DATE

Huan Gong
HUAN GONG, ECONOMIST

3/22/21
DATE

[Signature]
FOR THE COMMISSION

The estimated revenue impact provided herein is an estimate of the potential impact on the collection or apportionment of tax revenues affected by the proposed legislation. It is not intended to be an estimate of the overall fiscal impact on the state budget if the proposed legislation is enacted.

ATTACHMENT TO REVENUE IMPACT – HB 1588 [Engrossed] Prepared 03/18/2021

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Based upon FY 19 industry information, approximately 150 contractors engage in logging operations in the southeast region of the state. Two vendors in this region annually sell about 40 new pieces of commercial forestry service equipment and approximately 90 new pieces of equipment are purchased out-of-state and subsequently brought into Oklahoma for use in logging and other commercial forestry activities. In accordance with equipment dealer and other industry information, an average purchase price of \$200,000 per unit is assumed for purposes of this impact.

Multiplying 130 units by an average price of \$200,000 each, results in an estimated \$26,000,000 in taxable sales. Application of the state tax rate of 4.5% yields a decrease in state sales and use tax collections of \$1,170,000. The measure proposes an effective date of January 1, 2022. Application of inflation rate adjustments¹ yields reductions in state sales and use tax of \$505,261 and \$1,227,179 for FY 22 and FY 23, respectively.

Records also indicate the presence of at least one major vendor that rents this type of equipment in the southeast portion of the state. However, taxable sales attributable from the rental of such equipment cannot be quantified and would therefore result in an additional unknown decrease in state sales tax revenues.

¹ Latest version of the Consumer Price Index-All Urban Consumers [1.7% for FY 19 and 1.2% for FY 20 through FY 23].