

OKLAHOMA TAX COMMISSION

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

DATE OF IMPACT STATEMENT: March 15, 2021

BILL NUMBER: HB1935 **STATUS AND DATE OF BILL:** Engrossed 03/10/2021

AUTHORS: House Martinez, et all Senate Montgomery

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

PROPOSAL: Amendatory

The measure would provide a sales tax exemption for sales of tangible personal property or services used solely for construction and remodeling projects to an organization which is exempt from taxation pursuant to the provisions of the Internal Revenue Code, 26 U.S.C., Section 501(c)(3) and which meets the following requirements:

- a. Its primary purpose is to construct or remodel and sell affordable housing and provide homeownership education to residents of Oklahoma that have an income that is below one hundred percent (100%) of the Family Median Income guidelines as defined by the U.S. Department of Housing and Urban Development,
- b. Conducts its activities in a manner that serves public or charitable purposes, rather than commercial purposes,
- c. Receives funding and revenue and charges fees in a manner that does not incentivize it or its employees to act other than in the best interest of its clients,
- d. Compensates its employees in a manner that does not incentivize employees to act other than in the best interest of its clients,

EFFECTIVE DATE: November 1, 2021

REVENUE IMPACT:

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

FY 22: \$171,000 decrease in state sales tax revenues

FY 23: \$296,000 decrease in state sales tax revenues

Mar. 15, 2021
DATE

Rick Miller
DIVISION DIRECTOR

msm

3/15/2021
DATE

Huan Gong
HUAN GONG, ECONOMIST

3/17/21
DATE

[Signature]
FOR THE COMMISSION

The 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 1935 - [Engrossed] - Prepared 03/15/2021

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Research indicates that there are at least six organizations that could potentially qualify under the parameters of the proposed sales tax exemption.

Information obtained from five of these organizations indicates that in FY 20, they expended \$270,966 in state sales tax on purchases of products and materials to build houses in Oklahoma. For purposes of this impact it is estimated that the remaining entity expended approximately \$15,000¹ in state sales taxes, yielding combined state sales taxes of \$285,966. The measure proposes an effective date of November 1, 2021. Application of inflation rate adjustments of 1.2%² results in an estimated decrease in state sales tax collections of \$170,841 for FY 22 and \$296,385 for FY 23.

¹ An average amount calculated from the smaller entities.

² Based on latest version of the Consumer Price Index-All Urban Consumers