

OKLAHOMA TAX COMMISSION

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

DATE OF IMPACT STATEMENT: April 6, 2021

BILL NUMBER: HB 1990 **STATUS AND DATE OF BILL:** Committee Substitute 3/30/2021

AUTHORS: House Caldwell (Trey), Mize, Pae & Fugate Senate Montgomery

TAX TYPE (S): Ad Valorem Tax **SUBJECT:** Other

PROPOSAL: Amendatory

HB 1990 proposes to amend 62 O.S. § 193 adding claims that can be paid from the Ad Valorem Reimbursement Fund.

EFFECTIVE DATE: November 1, 2021

REVENUE IMPACT:

FY 22: \$5,658,000 increase in claims to the Ad Valorem Reimbursement Fund

ADMINISTRATIVE IMPACT:

FY 22: -0-

April 6, 2021
DATE

Rick Miller
DIVISION DIRECTOR

KLS

4/7/2021
DATE

Huan Gong
HUAN GONG, ECONOMIST

4/7/21
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 1990 [Committee Substitute] Prepared April 6, 2021

HB 1990 proposes to amend 62 O.S. § 193 adding claims that can be paid from the Ad Valorem Reimbursement Fund (“AVRF”).

Currently, the monies apportioned to the AVRF shall be expended to reimburse counties for the loss of revenue for (1) the 5 year manufacturing program, (2) the additional homestead exemption, and (3) agricultural buffer strips. HB 1990 proposes to add reimbursements to eligible counties for loss of revenue associated with ad valorem exemptions afforded 100% disabled veterans, their spouses and surviving spouses of veterans killed in the line of duty. HB 1990 states that a county is qualified for reimbursement of claims related to these veteran exemptions for the most recently concluded calendar year if the number of exemptions granted exceeds 0.8% of the county population according to the federal Decennial Census or most recent annual population estimate, whichever is most recent. Additionally, this new reimbursement category shall amount to 25% of the loss of revenue claimed by the qualified county. This measure also proposes that claims related to these veteran exemptions shall be filed separately.

Based on the exemptions granted for the current tax year, applicable property values and millage rates, additional reimbursement amounts for ad valorem exemptions afforded 100% disabled veterans, their spouses and surviving spouses of veterans killed in the line of duty are estimated to be \$22,630,000. The 25% cap on the loss of revenue claimed by qualifying counties will be approximately \$5,658,000 based on this estimate. When the AVRF is insufficient to pay all county claims relating to the above-referenced exemptions, the claims connected with the 5 year manufacturing program must be paid first. Remaining funds, if any, are distributed proportionally among the counties making reimbursement claims due to additional homestead exemptions granted.

There is an increase of \$5,658,000 in claims to the Ad Valorem Reimbursement Fund associated with this measure. There are no anticipated increases in administrative costs to the Oklahoma Tax Commission associated with this measure. However, there are administrative concerns regarding the audit and verification of the reimbursement of tax revenues attributable to an exemption granted at the local level.