

OKLAHOMA TAX COMMISSION

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

DATE OF IMPACT STATEMENT: March 22, 2021

BILL NUMBER: HB 2476 **STATUS AND DATE OF BILL:** Engrossed 03/02/2021

AUTHORS: House Roberts (Sean) Senate Bullard

TAX TYPE (S): Motor Vehicle Sales Tax **SUBJECT:** Administration

PROPOSAL:

The measure proposes a new section of law to be cited as Section 2105.1 of Title 68 to provide a sales tax exemption for any transfer of legal ownership of a vehicle to person who is a resident of Oklahoma and has been honorably discharged from active service in any branch of the Armed Forces of the United States or Oklahoma National Guard and who has been certified by the United States Department of Veterans Affairs or its successor to be in receipt of disability compensation at the one hundred-percent rate and the disability shall be permanent and have been sustained through military action or accident or resulting from disease contracted while in such active service and who is registered with the veterans registry created by the Department of Veterans Affairs. The exemption authorized by Section 2105.1 may not be claimed by a qualifying individual for more than one vehicle in a consecutive three-year period¹. The measure further provides that the sales tax exemption created in Section 2105.1 shall not be counted against the sales tax exemption cap provided in 68 O.S. § 1357(34). The proposed sales tax exemption is to be administered pursuant to a refund claim process. Further, if the purchase of the motor vehicle was made with a loan, the refund shall be issued to the lienholder.

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: \$666,000 decrease in motor vehicle excise tax revenues
FY 23: \$999,000 decrease in motor vehicle excise tax revenues

ADMINISTRATIVE IMPACT:

Insert the estimated cost or savings to the Tax Commission due to this proposed legislation.

FY 22: An increase of \$110,000 in administrative costs

Mar. 22, 2021
DATE

Rick Miller
DIVISION DIRECTOR

msm

3/22/2021
DATE

Huan Gong
HUAN GONG, ECONOMIST

3/22/21
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.

¹ The limit applies unless the vehicle is a replacement for a vehicle which was destroyed and declared by the insurer to be a total loss claim.

The measure proposes a new section of law to be cited as Section 2105.1 of Title 68 to provide a sales tax exemption for any transfer of legal ownership of a vehicle to person who is a resident of Oklahoma and has been honorably discharged from active service in any branch of the Armed Forces of the United States or Oklahoma National Guard and who has been certified by the United States Department of Veterans Affairs or its successor to be in receipt of disability compensation at the one hundred-percent rate and the disability shall be permanent and have been sustained through military action or accident or resulting from disease contracted while in such active service and who is registered with the veterans registry created by the Department of Veterans Affairs. The exemption authorized by Section 2105.1 may not be claimed by a qualifying individual for more than one vehicle in a consecutive three-year period². The measure further provides that the sales tax exemption created in Section 2105.1 shall not be counted against the sales tax exemption cap provided in 68 O.S. § 1357(34)³. The proposed sales tax exemption is to be administered pursuant to a refund claim process. Further, if the purchase of the motor vehicle was made with a loan, the refund shall be issued to the lienholder.

For FY 20, Oklahoma Tax Commission records indicate a total of \$998,999 in sales taxes on which a 100% disabled veteran exemption was claimed. Assuming similar transactions in FY 21, \$998,999 decrease in state sales tax revenues is estimated to occur. The measure proposes an effective date of November 1, 2020, resulting in an estimated decrease in motor vehicle sales tax collections of \$665,999 for FY 22 and \$998,999 for FY 23.

Administrative cost:

Additional administrative costs of \$35,000 are estimated for the one to six weeks of developer costs incurred to modify the motor vehicle system along with an additional cost of \$75,000 for two new positions responsible for processing the significant increase in motor vehicle sales tax refund claims for a total of \$110,000 in increased OTC administrative costs.

² The limit applies unless the vehicle is a replacement for a vehicle which was destroyed and declared by the insurer to be a total loss claim.

³ Sales of tangible personal property or services are exempt from sales tax when made to persons who have been honorably discharged from active service in any branch of the Armed Forces of the United States or Oklahoma National Guard, and who have been certified by the United States Department of Veterans Affairs, or its successor, to be in receipt of compensation at the one hundred percent (100%) rate for a permanent disability sustained through military action or accident or resulting from a disease contracted while in such service. Sales qualifying for exemption are limited to \$25,000 per year. 68 O.S. § 1357(34). Effective November 1, 2020, HB 1198 [2017] added a sales tax exemption qualification requirement that applicants must be registered with the veterans registry created by the Oklahoma Department of Veteran Affairs. Registration is not be required for veterans which had previously been granted exemption.