

OKLAHOMA TAX COMMISSION

**REVENUE IMPACT STATEMENT
SECOND REGULAR SESSION, FIFTY-EIGHTH OKLAHOMA LEGISLATURE**

DATE OF IMPACT STATEMENT: February 28, 2022

BILL NUMBER: SB 1499 **STATUS AND DATE OF BILL:** Committee Substitute 02/22/2022

AUTHORS: House N/A Senate Garvin

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

PROPOSAL: Amendatory

Section 1 creates the Feminine Hygiene Program to be administered by the State Department of Health to provide grants to local health departments for the purpose of providing feminine hygiene products to women.

Section 2 creates the Feminine Hygiene Program Revolving Fund.

Section 3 proposes to modify sales tax apportionment by allocating \$1,000,000 off the top of sales tax collections to the Feminine Hygiene Program Revolving Fund for FY 24 and each subsequent fiscal year.

Section 5 exempts from the sales tax levy, sales of feminine hygiene products. The exemption is to be administered as a refund. Within sixty (60) days after the end of each calendar year, any purchaser that is entitled to make application for a refund based upon the exempt treatment authorized by this paragraph may file an application for refund of the state sales taxes paid during the preceding calendar year and shall furnish receipts documenting the exempt purchases made with the application. Under the measure the Tax Commission is required to prescribe a form for purposes of making the application for refund. "Feminine hygiene products" is defined by the Section to mean tampons, panty liners, menstrual cups, sanitary napkins, and other similar tangible personal property designed for feminine hygiene in connection with the human menstrual cycle.

EFFECTIVE DATE: November 1, 2022

REVENUE IMPACT:

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

FY 23: \$454,000 decrease in state sales tax collections

FY 24: \$1,195,000 decrease in state sales tax collections

ADMINISTRATIVE IMPACT:

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

FY 23: Significant estimated increase in OTC administrative costs

Feb. 28, 2022
DATE

Rick Miller
DIVISION DIRECTOR

bjs

2/28/2022
DATE

Huan Gong
HUAN GONG, ECONOMIST

3/1/2022
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.

The measure proposes new language in Section 1 through 3 an amendment in Section 5 as follows:

Section 1 of the measure defines feminine hygiene products to mean tampons, panty liners, menstrual cups, sanitary napkins, and other products designed for feminine hygiene in connection with the human menstrual cycle. It also creates the Feminine Hygiene Program to be administered by the State Department of Health to provide grants to local health departments for the purpose of providing feminine hygiene products to women.

Section 2 creates the Feminine Hygiene Program Revolving Fund.

Section 3 proposes to modify sales tax apportionment by allocating \$1,000,000 off the top of sales tax collections to the Feminine Hygiene Program Revolving Fund for FY 24 and each subsequent fiscal year.

The proposed amendment results in the following apportionment changes for FY 24:

- Increase of \$1,000,000 in sales tax deposits to the Feminine Hygiene Program Revolving Fund
- Decrease of \$833,600 in sales tax deposits to the General Revenue Fund.
- Decrease of \$104,600 in sales tax deposits to the Education Reform Revolving Fund
- Decrease of \$52,500 in sales tax deposits to the Teacher's Retirement System Dedicated Revenue Revolving Fund
- Decrease of \$3,132 in sales tax deposits to the Tourism Promotion Revolving Fund
- Decrease of \$5,568 in sales tax deposits to the Oklahoma Tourism Capital Improvement Revolving Fund
- Decrease of \$600 in sales tax deposits to the Oklahoma Historical Society Capital Improvement and Operation Revolving Fund.

Section 5 exempts from the sales tax levy, sales of feminine hygiene products. The exemption is to be administered as a refund. Within sixty (60) days after the end of each calendar year, any purchaser that is entitled to make application for a refund based upon the exempt treatment authorized by this paragraph may file an application for refund of the state sales taxes paid during the preceding calendar year and shall furnish receipts documenting the exempt purchases made with the application. Under the measure the Tax Commission is required to prescribe a form for purposes of making the application for refund. "Feminine hygiene products" is defined by the Section to mean tampons, panty liners, menstrual cups, sanitary napkins, and other similar tangible personal property designed for feminine hygiene in connection with the human menstrual cycle.

REVENUE IMPACT

The State of Minnesota which previously enacted a sales tax exemption for sales of similar hygiene products estimates a loss of state sales tax revenue of \$3,400,000 for FY23 for the referenced exemption. Dividing \$3,400,000 by the Minnesota state sales tax rate of 6.875% results in estimated taxable sales of \$49,454,545. Adjusting for differences in population between Minnesota and Oklahoma yields estimated taxable sales of \$34,618,182. The measure provides for a November 1, 2022 effective date. The estimated decrease in state sales tax collections for FY 23¹ is \$908,727 and \$1,593,648 for FY 24². For purposes of this impact, it is assumed that 50% of the estimate would be refunded in FY 23 [$\$908,727 \times 50\% = 454,364$] with 75% refunded in FY 24 [$1,593,648 \times 75\% = \$1,195,236$].

ADMINISTRATIVE IMPACT

Since the exemption is to be administered as a refund, the OTC anticipates needing additional full-time-employees to verify documentation and process the additional refund claims. Due to the field of eligible claimants the number of refunds filed with and processed by the OTC could increase potentially in the hundreds of thousands. Costs attributable thereto are unknown at this time but are estimated to be significant.

¹ Includes seven and one half months of sales tax collections.

² IHS Markit/US Forecast Flash, January 3, 2022 [2.3% for FY 24]