

OKLAHOMA TAX COMMISSION

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

DATE OF IMPACT STATEMENT: March 4, 2021

BILL NUMBER: SB 735 **STATUS AND DATE OF BILL:** Committee Sub 3/4/2021

AUTHORS: House Moore Senate Howard and Garvin

TAX TYPE (S): Income Tax **SUBJECT:** Credit

PROPOSAL: New Law

The Committee Substitute for SB 735 proposes to create the “Justin Sullivan Trailer Safety Act” and to enact a new income tax credit for 20% of the purchase price of a safe wheel tethering system for each semitrailer (as defined by 47 O.S. §1-162) and each frac tank (as defined by 17 O.S. §54) registered under the Oklahoma Vehicle and Registration Act. Effective for tax years 2022 through 2026, an individual or entity may claim up to \$10,000 in total credits, and any unused credit may be carried forward for five consecutive tax years. Total annual credits are capped at \$250,000.

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: None.

FY 23: Unknown decrease in income tax collections.

Mar. 4, 2021
DATE

Rick Miller
DIVISION DIRECTOR

bdf

3/4/2021
DATE

Huan Gong
HUAN GONG, ECONOMIST

3/5/21
DATE

JDA
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 - SB 735 [CS] Prepared 3/4/2021

The Committee Substitute for SB 735 proposes to create the “Justin Sullivan Trailer Safety Act” and to enact a new income tax credit for 20% of the purchase price¹ of a safe wheel tethering system for each semitrailer (as defined by 47 O.S. §1-162) and each frac tank (as defined by 17 O.S. §54) registered under the Oklahoma Vehicle and Registration Act. Effective for tax years 2022 through 2026, an individual or entity may claim up to \$10,000 in total credits, and any unused credit may be carried forward for five consecutive tax years. Total annual credits are capped at \$250,000.

For this proposal, “safe wheel tethering system” means a system that prevents wheel separation from a trailer using a steel cable that runs through the axle tube of the trailer and is tethered to a pair of wheel-end caps located on opposite ends of the trailer axle. Research indicates that only one company manufactures and sells such a system, at a cost of \$4,800 for a two-axle trailer.

OTC records for FY 20 indicate a combined total of 180,353 registrations for commercial trailers, including semitrailers, small commercial trailers and frac tanks. In addition, 191,871 semitrailers were registered with the Oklahoma Corporation Commission. The potential revenue impact of this proposal may vary significantly based on the number of safe wheel tethering systems purchased. For example, if an individual credit is claimed for 25% of the semitrailers and frac tanks registered under the Oklahoma Vehicle and Registration Act in 2022, an estimated decrease in income tax collections of \$89.3 million would be expected in FY23 when the 2022 income tax returns are filed. The actual number of safe wheel tethering systems that may be purchased as a result of this proposal is unknown.

Because the \$250,000 annual cap is calculated based on credits claimed in the second preceding year, this credit has no cap for tax years 2022 and 2023. This measure requires the OTC to annually calculate and publish a percentage by which the credits shall be reduced so the total amount of credits used to offset tax does not exceed \$250,000 per year. The formula to be used for the percentage adjustment for tax year 2024 is \$250,000 divided by the credits claimed in tax year 2022.

¹ It is assumed that a safe wheel tethering system purchased prior to the effective date of this proposal would also qualify for the credit.