

**OKLAHOMA TAX COMMISSION**

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

**DATE OF IMPACT STATEMENT:** February 13, 2021

**BILL NUMBER:** SB 735 **STATUS AND DATE OF BILL:** Introduced 1/21/2021

**AUTHORS:** House n/a Senate Howard

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

**PROPOSAL:** New Law

SB 735 proposes to enact a new income tax credit for the purchase of a safe wheel tethering system for each semitrailer and each frac tank registered under the Oklahoma Vehicle and Registration Act, effective for tax year 2022 and subsequent tax years. For each credit, a taxpayer may claim 50% of the purchase price, not to exceed \$4,000, and any unused credit may be carried forward for five consecutive tax years.

**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.

Feb. 13, 2021  
DATE

Rick Miller  
DIVISION DIRECTOR

bdf

2/13/2021  
DATE

Huan Gong  
HUAN GONG, ECONOMIST

2/13/21  
DATE

Jay Doyle  
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 [Introduced] Prepared 2/13/2021

SB 735 proposes to enact a new income tax credit for the purchase 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 year 2022 and subsequent tax years. For each credit, a taxpayer may claim 50% of the purchase price<sup>1</sup>, not to exceed \$4,000<sup>2</sup>, and any unused credit may be carried forward for five consecutive tax years. Total credits are capped at \$250,000 per year.

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 25% of the semitrailers and frac tanks registered under the Oklahoma Vehicle and Registration Act purchase a qualifying safe wheel tethering system in 2022, an estimated decrease in income tax collections of \$223.2 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.

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

<sup>2</sup> It is assumed that the \$4,000 limit applies to the credit that may be claimed for the purchase of a single safe wheel tethering system and not the total annual credit that may be claimed by a single taxpayer.