

BILL SUMMARY
2nd Session of the 59th Legislature

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| Bill No.: | HB1600 |
| Version: | CCS |
| Request Number: | 11087 |
| Author: | Rep. Kannady |
| Date: | 5/28/2024 |
| Impact: | FY25: \$405,000 decrease in revenue |
| | FY26: \$709,000 decrease in revenue |

Research Analysis

The conference committee substitute for HB 1600 provides a sales tax exemption for sales of machinery and equipment used for commercial mining of digital assets until December 31, 2029. The mining must occur in a qualified colocation facility that has a load reduction agreement with its retail electric supplier. Eligible equipment includes, but is not limited to, servers, computers, racks, power distribution units, cabling, switchgears, transformers, substations, software, network equipment, and electricity.

Prepared By: Quyen Do

Fiscal Analysis

In its current form, HB 1600 provides a sales tax exemption for sales of certain pieces of machinery and equipment used for the commercial mining of digital assets.

Analysis by the Oklahoma Tax Commission:

ANTICIPATED IMPACT:

FY 25: An estimated decrease of \$405,000 in state sales tax revenue.

FY 26: An estimated decrease of \$709,000 in state sales tax revenue.

ANALYSIS:

Under current law, sales of machinery and equipment purchased and used by persons and establishments primarily engaged in computer services and data processing as defined under Industrial Group Number 7374³ of the SIC Manual⁴, latest version, which derive at least 80% of their annual gross revenues from the sale of a product or service to an out-of-state buyer or consumer are exempt from sales tax (68 O.S. § 1357(21)(b)). The activities of the facilities described in the measure fall within the parameters of the referenced classification number and should they meet the qualification requirements the purchases of machinery and equipment outlined in the measure would be exempt from sales tax

pursuant to paragraph 21 of Section 1357.⁵ The only transaction identified in the measure not covered by the existing sales tax exemption would be purchases of electricity. Currently, there are 11 exempt entities that have been granted this exemption and 3 of these entities are involved in the mining of digital assets.

One identified establishment that could be eligible for the proposed sales tax exemption has an estimated state sales tax attributable to the purchase of electricity used for commercial mining of digital assets of \$221,392 for FY 23. Adjustments for inflation⁶ results in an estimated \$231,467 in state sales tax for FY 25 and \$236,327 for FY 26. Assuming the 3 entities currently involved in the mining of digital assets in Oklahoma are allowed to exempt the purchase of electricity as a result of the exemption proposed in this measure, results in an estimated \$694,400 decrease in state sales tax revenue for FY 25 and \$708,982 for FY 26. Calculated with an effective date of November 1, 2024, results in estimated decrease of \$405,067 in state sales tax revenue for FY 25⁷, and an estimated decrease of \$708,982 in state sales tax revenue for FY 26.

Prepared By: Zach Penrod, House Fiscal Staff

Other Considerations

None.