

## BILL SUMMARY

1<sup>st</sup> Session of the 59<sup>th</sup> Legislature

<b>Bill No.:</b>	<b>HB2234</b>
<b>Version:</b>	<b>Introduced</b>
<b>Request Number:</b>	
<b>Author:</b>	<b>Rep. Ford</b>
<b>Date:</b>	<b>2/27/2023</b>
<b>Impact:</b>	<b>Future Revenue Impact: increased collections greater than \$100,000/yr.</b>

**OTC admin costs:  
\$100,000/yr.**

### Research Analysis

HB2234, as introduced, requires resellers to obtain a separate sale for resale exemption permit issued by the Oklahoma Tax Commission (OTC) in order to make use of the sales for resale sales tax exemption. OTC may also develop a verification process for sellers to confirm that a reseller has the required permit. Failure to obtain a permit while claiming the exemption is a misdemeanor crime subject to a fine up to \$1000 for the first offense. Second and subsequent offenses are considered felony crimes subject to a fine up to \$5000 or 2 years of imprisonment.

Prepared By: Quyen Do

### Fiscal Analysis

Officials for the Oklahoma Tax Commission provided the following information related to the measures potential impact

The measure requires vendors, subject to the Oklahoma sales tax code, to apply for and obtain an annual permit<sup>1</sup> in order to claim a sale for resale sales tax exemption. The measure also allows for an appeal process for a denied applicant and sets fines for anyone claiming a sale for resale exemption without a permit or after a permit has been suspended<sup>2</sup>.

The measure also requires vendors to use a system upon development by the Tax Commission ("OTC") for the purpose of exchanging information with sellers regarding sale for resale permit numbers of purchasers who are seeking to make purchases for resale. It also requires the OTC to provide sellers, free of charge, verification of whether the sale for resale permits are valid. The OTC must also provide the seller a transaction code authorizing the seller to sell items purchased for resale to purchasers who hold a valid sale for resale permit.

**EFFECTIVE DATE:** July 1, 2023 - Emergency

**REVENUE IMPACT:**

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

FY 24: None

FY 25: [See Attached]

**Fiscal Impact.**

An unknown increase in state sales tax revenues is estimated in excess of additional costs incurred.

**Administrative Costs and Concerns:**

The measure will result in an increase of \$100,000 in administrative costs for new personnel, equipment, supplies, and system programming along with a minimum of three months after enactment in which to implement this measure.

An effective date of July 1, 2024 will afford the OTC adequate time in which to perform necessary system modifications, notify and educate vendors of the new permitting requirements and issue new permits.

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<sup>3</sup> To be issued at no charge and such resale permit shall expire at 11:59 p.m. on the next June 30th following the effective date of issuance.

<sup>4</sup> A misdemeanor punishable by a fine of not more than One Thousand Dollars (\$1,000) for the first offense. Any person convicted of a second or subsequent violation shall be guilty of a felony and punishable by a fine of not more than Five Thousand Dollars (\$5,000) or by a term of imprisonment in the State Penitentiary for not more than two (2) years, or both such fine and imprisonment.

Prepared By: John McPhetridge, House Fiscal Staff

**Other Considerations**

None.