

BILL SUMMARY
1st Session of the 59th Legislature

Bill No.:	SB961
Version:	FULLPCS1
Request Number:	8245
Author:	Rep. Wallace
Date:	4/18/2023
Impact:	OTC Analysis:
	Unknown revenue decrease

Research Analysis

The proposed committee substitute for SB961 modifies the definition of *agricultural products*, as it relates to the agriculture sales tax exemption, to include game animals. The measure also defines the terms *farm* or *farming* to include the production of timber, seedling production and forestry management.

Prepared By: Quyen Do

Fiscal Analysis

In its current form, SB961 expands the agricultural sales tax exemption to include game animals as an *agricultural product*, and the production of timber, seedling production, and forestry management as *farming or farm*.

Available information allows for the calculation of the impact on sales tax revenues from sales of game animals and farm expenditures, but does not allow for the calculation of the total revenue impact of the bill.

The Oklahoma Tax Commission provides the following information regarding the fiscal impact of the bill:

As of January 1, 2022, sales of commercial forestry service equipment, limited to forwarders, fellers, bunchers, track skidders, wheeled skidders, hydraulic excavators, delimiters, soil compactors and skid steer loaders, to businesses engaged in logging, timber and tree farming were made exempt pursuant to the passage of HB 1588. Therefore, a large portion of heavy equipment associated with the timber industry is already exempt from sales tax. However, the amount of land that is currently being used for timber production, seedling production, and forestry management is unknown as are the number of new agricultural permit holders that are to be exempted by this measure. Consequently, an unknown decrease in state sales tax revenues is estimated for FY 24 and FY 25.

Based upon information previously received from industry sources, there are an estimated 50 establishments in Oklahoma dedicated solely to the commercial production of deer. Each of these groups on average sell 12 deer per year at an average cost of \$3,637 per deer which results in annual sales of 600 deer with a combined sales price of \$2,182,200. Application of the state sales tax rate results in an estimated decrease of \$98,199 in state sales tax revenues for FY 23.

Industry sources also indicate that the average annual expenditures per farm is \$19,741. Multiplying 50 new farms by the average expenditures per farm, results in total estimated taxable expenditures of \$987,050. Application of the state sales tax rate equals an estimated decrease in state sales tax revenues of \$44,417 for FY 23.

The measure provides for an effective date of November 1, 2023. Application of inflation rate adjustments of 2.2% for FY 24 and 2% for FY 25 results in an estimated decrease of \$85,023 in states sales tax revenues for FY 24 and an estimated decrease of \$148,669 in state sales tax revenues for FY 25.

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Other Considerations

None.