

OKLAHOMA TAX COMMISSION

REVENUE IMPACT STATEMENT AND/OR ADMINISTRATIVE IMPACT STATEMENT FIRST REGULAR SESSION, FIFTY-NINTH OKLAHOMA LEGISLATURE

DATE OF IMPACT STATEMENT: April 11, 2023

BILL NUMBER: HB 2350

STATUS AND DATE OF BILL: Committee Substitute 04/10/2022

AUTHORS: House: Dempsey Senate: Kidd

TAX TYPE (S): Sales Tax **SUBJECT:** Exemption

PROPOSAL: Amendatory

The measure amends 68 O.S. § 1358 by expanding the agricultural sales tax exemption by including game animals¹ and timber as an "agricultural product", and the production of timber, seedling production, forestry management and production of game animals as "farming or farm".

EFFECTIVE DATE: November 1, 2023

REVENUE IMPACT:

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

FY 24: See Attached

FY 25: See Attached

Apr. 11, 2023
DATE

Rick Miller
DIVISION DIRECTOR

msm

4/11/2023
DATE

Huan Gong
HUAN GONG, ECONOMIST

4/11/2023
DATE

Joseph P. Gappa
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.

¹ Game animal's means animals bred to be hunted for sport or food but shall not include feral swine, as defined in Section 6-603 of Title 2 of the Oklahoma Statutes.

The measure amends 68 O.S. § 1358 by expanding the agricultural sales tax exemption by including game animals² and timber as an "agricultural product", and the production of timber, seedling production, forestry management and production of game animals as "farming or farm".

As of January 1, 2022, sales of commercial forestry service equipment, limited to forwarders, fellers, bunchers, track skidders, wheeled skidders, hydraulic excavators, delimbers, 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 adjustments³ 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.

² Game animals means animals bred to be hunted for sport or food but shall not include feral swine, as defined in Section 6-603 of Title 2 of the Oklahoma Statutes.

³ IHS Markit