

OKLAHOMA TAX COMMISSION

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

DATE OF IMPACT STATEMENT: December 27, 2023

BILL NUMBER: SB 1438 **STATUS AND DATE OF BILL:** Introduced 12/15/23

AUTHORS: House: n/a Senate: Rader

TAX TYPE (S): Ad Valorem and Sales Tax **SUBJECT:** Recovery Fee and Exemption

PROPOSAL: New Law and Amendatory

SB 1438 proposes a new law that would allow companies primarily in the business of renting heavy equipment property to charge their customers a recovery fee of 1.25% on the rental charge of heavy equipment. The fee shall be retained by the business for the purpose of paying personal property taxes against the heavy equipment property. SB 1438 would require businesses who collect this fee to submit a report to the Tax Commission showing the aggregate personal property taxes paid and aggregated recovery fee collections. SB 1438 also amends 68 O.S. § 1357 to specify this fee is exempt from sales tax.

EFFECTIVE DATE: November 1, 2024

REVENUE IMPACT:

Dollar amount (plus or minus) of the expected change in state revenues due to this proposed legislation:

FY 25: none

FY 26: none

<u>1/2/24</u>		<u>caj</u>
DATE	DIVISION DIRECTOR	
<u>1/2/24</u>	<u>Huan Gong</u>	
DATE	HUAN GONG, ECONOMIST	
<u>1/2/2024</u>	<u>Joe Gappa</u>	
DATE	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 FISCAL IMPACT - SB 1438 - [Introduced] - Prepared 12/27/23

PROPOSED CHANGES:

SB 1438 proposes a new law that would allow companies primarily in the business of renting heavy equipment property to charge their customers a recovery fee of 1.25% on the rental charge of heavy equipment. The fee shall be retained by the business for the purpose of paying personal property taxes against the heavy equipment property.

SB 1438 creates exemptions for the collection of this fee for heavy equipment property rented to tribes, federal, state, and local entities.

SB 1438 further proposes to require businesses who collect this fee to submit an annual report on or before February 15th to the Tax Commission showing the aggregated personal property taxes paid and aggregated recovery collections for the prior calendar year.

SB 1438 also amends 68 O.S. § 1357 to specify this fee is exempt from sales tax collections.

ANTICIPATED IMPACT:

SB 1438 concurrently proposes to create a new fee, while also creating an exemption for the fee from sales tax. This results in no change to state tax collections. The heavy equipment recovery fee is also proposed as a voluntary fee that is collected and retained by businesses. Any collections are directed to preexisting personal property tax payments of the respective businesses, and therefore, any revenue from the fee will have no impact on local tax revenues.

SB 1438 would require that rental businesses that collect a recovery fee submit an electronic report to the Tax Commission. No additional responsibilities are outlined for the OTC, and therefore no administrative impact is anticipated.