

OKLAHOMA TAX COMMISSION

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

DATE OF IMPACT STATEMENT: February 3, 2023

BILL NUMBER: SB 478 **STATUS AND DATE OF BILL:** Introduced 01/17/2023

AUTHORS: House: n/a Senate: Paxton

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

PROPOSAL: New

The measure proposes to exempt the *occasional sale* of tangible personal property from the sales tax levy. The measure also defines *occasional sale*, *nonrecurring sale* and *series of sales*.

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: Decrease of \$15,869,000 in state sales tax revenue

FY 25: Decrease of \$27,247,000 in state sales tax revenue

Feb. 6, 2023
DATE

Rick Miller
DIVISION DIRECTOR

msm

2/6/2023
DATE

Huan Gong
HUAN GONG, ECONOMIST

2/8/2023
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.

ATTACHMENT TO REVENUE IMPACT SB 478 [Introduced] Prepared 2/03/2023

The measure proposes to exempt the "occasional sale" from the sales tax levy. The measure also defines *occasional sale*,¹ *nonrecurring sale*² and *series of sales*.³

Based upon Oklahoma Tax Commission sales tax reporting and remittance data, a total of \$26,205,684 in state sales tax was remitted in FY 22 on transactions designated as "casual" which meet the definition of "occasional sales" for purposes of the proposed sales tax exemption. The measure provides for an effective date of November 1, 2023. Assuming similar qualifying occasional sales in FY 24 and FY 25 as those which occurred in FY 22 along with application of sales tax growth rates of 3.8% for FY 23 and .16% for FY 24 results in an estimated decrease of \$15,868,711 in state sales taxes for FY 24⁴ and an estimated decrease of \$27,246,964 in state sales taxes for FY 25.

Sales taxes are not presently reported in such a manner to capture remittance amounts related to business sales of fixtures and equipment. Therefore, the estimated revenue impact outlined above does not account for any losses in state sales tax revenues attributed to sales of fixtures and equipment qualifying under the provisions of the proposed sales tax exemption.

¹ Occasional sale means a nonrecurring sale where more than two sales or series of sales of tangible personal property subject to the tax levied in Section 1350 of Title 68 of the Oklahoma Statutes during a 12 month period. Provided, the sale of all or substantially all of the property of a business or of a separate division, branch, or identifiable segment of a business shall not be limited to no more than two sales or series of sales during a 12 month period. Occasional sale shall also include sales made by an individual who, at the time of the sale, is not engaged in the business of selling tangible personal property, the sale of all or substantially all of the property of a business or of a separate division, branch, or identifiable segment of a business. A separate division, branch, or identifiable segment of a business shall exist if before the sale of property the income and expenses attributable to the separate division, branch, or identifiable segment could be ascertained from a record utilizing generally accepted accounting principles or another comprehensive basis of accounting. And, sales by an individual if the property was originally purchased by the individual or a member of the individual's family for the personal use of the individual or individual's family and if the individual does not possess a sales tax permit and is not "marketplace seller". Occasional sales do not include sales from an auctioneer, sales held on consignment, the rental or lease of tangible personal property and the sale of motor vehicles.

² "Nonrecurring sale" means no more than two sales or series of sales of tangible personal property subject to the tax levied by Section 1350 et seq. of Title 68 of the Oklahoma Statutes during a twelve-month period. Provided, the sale of all or substantially all of the property of a business or of a separate division, branch, or identifiable segment of a business shall not be limited to no more than two sales or series of sales during a twelve-month period to be considered a nonrecurring sale.

³ "Series of sales" means any multiple sales of tangible personal property, for a limited duration not to exceed thirty (30) consecutive days. Each individual sale of the multiple sales shall meet the definition of occasional sale as provided in subsection (B) of Section 1357.11 of Title 68..

⁴ Seven months of sales tax collections.