

STATE OF OKLAHOMA

1st Session of the 60th Legislature (2025)

SENATE BILL 1123

By: Standridge

AS INTRODUCED

An Act relating to municipal taxation; amending 68 O.S. 2021, Section 2702, which relates to contractual agreements to assess, collect, and enforce taxes and penalties; providing exception to requirement that the Oklahoma Tax Commission place collections into certain account; providing exception to requirement that the Commission deem certain funds held in trust; defining term; authorizing the Attorney General to determine if a municipality is impeding enforcement of immigration law; providing basis for determination; requiring certain notification; requiring the Commission to place certain funds in special account upon notification; providing for the allocation of funds upon notification; providing for codification; and providing an effective date.

BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

SECTION 1. AMENDATORY 68 O.S. 2021, Section 2702, is amended to read as follows:

Section 2702. A. The governing body of any incorporated city or town and the Oklahoma Tax Commission shall enter into contractual agreements whereby the Tax Commission shall have authority to assess, to collect and to enforce any taxes or, penalties or interest thereon, levied by such incorporated city or town, and

1 remit the same to such municipality. Said assessment, collection,
2 and enforcement authority shall apply to any taxes, penalty or
3 interest liability existing at the time of contracting. Upon
4 contracting, the Tax Commission shall have all the powers of
5 enforcement in regard to such taxes, penalties and interest as are
6 granted to or vested in the contracting municipality. Such
7 agreement shall provide for the assessment, collection, enforcement,
8 and prosecution of such municipal tax, penalties and interest, in
9 the same manner as and in accordance with the administration,
10 collection, enforcement, and prosecution by the Tax Commission of
11 any similar state tax except as provided by agreement. Such
12 agreement shall authorize the Tax Commission to retain an amount not
13 to exceed one-half of one percent (0.5%) as a retention fee of
14 municipal tax collected for services rendered in connection with
15 such collections; provided, if a municipality files an action
16 resulting in collection of delinquent state and municipal taxes, the
17 Tax Commission shall remit one-half (1/2) of the retention fee
18 applied to the amount of such taxes to the municipality to be
19 apportioned as are other sales tax revenue. All funds retained by
20 the Tax Commission for the collection services to municipalities
21 shall be deposited in the Oklahoma Tax Commission Revolving Fund in
22 the State Treasury. The municipality shall agree to refrain from
23 any assessment, collection, or enforcement of the municipal tax
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1 except as specified in an agreement made pursuant to subsections A,
2 C, D and E of this section.

3 B. The Except as provided for in Section 2 of this act, the Tax
4 Commission shall place all sales taxes, including penalties and
5 interest, collected on behalf of a municipality pursuant to the
6 provisions of this section and all use taxes, including penalties
7 and interest, collected on behalf of a municipality pursuant to the
8 provisions of Section 1411 of this title in the Sales Tax Remitting
9 Account as provided in Section 1373 of this title.

10 C. Notwithstanding the provisions of subsection E of this
11 section, the Tax Commission and the governing body of any
12 incorporated city or town may enter into contractual agreements
13 whereby the municipality would be authorized to implement or augment
14 the enforcement, collection and prosecution of the municipal tax in
15 those contracting municipalities and to provide for the satisfaction
16 of refunds or credits to taxpayers. Such agreements shall and are
17 hereby authorized to provide that the municipality and the Tax
18 Commission may exchange necessary information to effectively carry
19 out the terms of such agreements. The municipality, its officers
20 and employees shall preserve the confidentiality of such information
21 in the same manner and be subject to the same penalties as provided
22 by Section 205 of this title, provided that the municipal prosecutor
23 and other municipal enforcement personnel may receive all
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1 information necessary to implement or augment the enforcement and
2 prosecution of municipal sales tax ordinances.

3 D. Provided further that, upon the request of any incorporated
4 city or town, the Tax Commission shall enter into contractual
5 agreements with such municipality whereby the municipality would be
6 authorized to implement or augment the enforcement, either directly
7 or through contract with private auditors or audit firms, of the
8 municipal tax. Any person performing an audit shall first be
9 approved by the Tax Commission and, once approved, shall be
10 appointed as an agent of the Tax Commission for purposes of the
11 audit. Contracts with a private auditor or audit firm shall not be
12 subject to the limitations of Section 262 of this title and shall
13 and are hereby authorized to provide that the municipality, private
14 auditors or audit firms and the Tax Commission may exchange
15 necessary information to effectively carry out the terms of such
16 agreements. The municipality, its officers and employees and
17 private auditors or audit firms may receive all information
18 necessary to perform audits and shall preserve the confidentiality
19 of such information in the same manner and be subject to the same
20 penalties as provided by Section 205 of this title. Municipalities
21 conducting audits directly or by contracting for private auditors or
22 audit firms pursuant to this subsection shall furnish to the Tax
23 Commission the audit results and all relevant supporting
24 documentation. Further, such municipalities shall provide for the

1 payment of private auditors or audit firms by deduction from the tax
2 assessment resulting from the audit conducted by said private
3 auditors or audit firms unless a municipality contracts with the
4 auditor or audit firm for another method of payment. Any municipal
5 sales tax funds recovered as a result of the services provided under
6 this subsection will not be included in calculating the retention
7 fee retained by the Tax Commission pursuant to subsection A of this
8 section. The contracts authorized by subsection A of this section
9 shall provide that the Tax Commission shall not have any obligations
10 thereunder to any municipality that does not participate in an audit
11 conducted under this subsection.

12 E. 1. Pursuant to the provisions of this subsection, upon the
13 request of any municipality, the Tax Commission shall enter into a
14 contractual agreement with the municipality whereby the municipality
15 would be authorized to engage in compliance activities, either
16 directly or through contract with private persons or entities, to
17 augment the collection of the municipal tax by the Tax Commission.
18 The sole responsibility for the administration of any and all such
19 compliance activities shall remain with the Tax Commission to ensure
20 that sellers and purchasers shall only be required to register, file
21 returns, and remit state and local taxes to one single authority,
22 and that no enforcement activities are duplicated.

23 2. Any contractual agreement entered into pursuant to paragraph
24 1 of this subsection and any person or entity who will be performing

1 compliance activities shall first be approved by the Tax Commission
2 in its sole discretion. Once approved, the private person or entity
3 shall be appointed as an agent of the Tax Commission for purposes of
4 such compliance activities. Any agreements entered into pursuant to
5 paragraph 1 of this subsection shall provide that the municipality,
6 private persons or entities appointed as an agent and the Tax
7 Commission may exchange necessary information to effectively carry
8 out the terms of the agreements. The municipality, its officers and
9 employees and any private person or entity appointed as an agent of
10 the Tax Commission may receive all information necessary for
11 compliance activities and shall preserve the confidentiality of the
12 information in the same manner and be subject to the same penalties
13 as provided by Section 205 of this title. Municipalities conducting
14 compliance activities directly or by contracting with private
15 persons or entities pursuant to this subsection shall furnish to the
16 Tax Commission the compliance results and all relevant supporting
17 documentation and the Tax Commission shall take such information and
18 issue proposed assessments or conduct other such administrative
19 action as is necessary.

20 3. There is hereby created in the State Treasury a revolving
21 fund for the Oklahoma Tax Commission to be known as the "Tax
22 Commission Compliance Fund". The fund shall be a continuing fund,
23 not subject to fiscal year limitations, and notwithstanding any
24 other provisions of law, shall consist of the first three-fourths of

1 one percent (3/4 of 1%) of enhanced collections of state sales and
2 use taxes collected pursuant to an agreement entered into pursuant
3 to paragraph 1 of this subsection. All monies accruing to the
4 credit of the fund are hereby appropriated and may be budgeted and
5 expended by the Oklahoma Tax Commission for the purpose of
6 reimbursing a municipality for enhanced collections of state sales
7 taxes pursuant to an agreement entered into pursuant to paragraph 1
8 of this subsection. Expenditures from the fund shall be made upon
9 warrants issued by the State Treasurer against claims filed as
10 prescribed by law with the Director of the Office of Management and
11 Enterprise Services for approval and payment.

12 4. The Director of the Office of Management and Enterprise
13 Services shall form an Implementation Working Group composed of
14 representatives of municipalities and of the Tax Commission and
15 shall adopt a plan to implement this subsection by September 30,
16 2011. The plan shall ensure that the Tax Commission shall maintain
17 a central point of collection and centralized administration and
18 enforcement and further shall be consistent with all applicable
19 state laws.

20 F. ~~Any~~ Except as provided for in Section 2 of this act, any sum
21 or sums collected or required to be collected pursuant to a
22 municipal sales tax levy shall be deemed to be held in trust for the
23 municipality, and, as trustee, the collecting vendor shall have a
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1 fiduciary duty to the municipality in regards to such sums and shall
2 be subject to the trust laws of this state.

3 SECTION 2. NEW LAW A new section of law to be codified
4 in the Oklahoma Statutes as Section 2702.2 of Title 68, unless there
5 is created a duplication in numbering, reads as follows:

6 A. As used in this section, "sanctuary city" means a city with
7 any ordinance or directive to impede or limit cooperation with the
8 federal government in the enforcement of immigration law or any
9 ordinance or directive to aid or abet any individual in furtherance
10 of violating immigration law.

11 B. The Attorney General may determine if a municipality is
12 obstructing the federal government from the enforcement of
13 immigration law, knowingly aiding or abetting any individual in
14 furtherance of a violation of any immigration law, or declaring
15 itself a sanctuary city.

16 C. The determination shall be based on an investigation by the
17 Attorney General or information provided to the Attorney General by
18 federal departments, federal law enforcement agencies, or state or
19 local law enforcement agencies.

20 D. If a determination is made pursuant to subsection B of this
21 section, the Attorney General shall notify the Oklahoma Tax
22 Commission. If the Attorney General determines that such
23 municipality is no longer taking any actions described in subsection
24 B of this section, the Attorney General shall notify the Commission.

1 If a determination is made that a municipality took any action
2 described in subsection B of this section, and the municipality has
3 an agreement with the Oklahoma Tax Commission for the collection and
4 enforcement of tax levies pursuant to the provisions of Section 2702
5 or 2702.1 of Title 68 of the Oklahoma Statutes, the Commission shall
6 place all sales and lodging taxes, including penalties and interest,
7 collected on behalf of the municipality in an agency special account
8 designated for this purpose. The Commission shall continue to place
9 all collections in the special account until notified by the
10 Attorney General that the municipality is no longer taking any
11 action described in subsection B of this section. Upon such
12 notification, the Commission shall allocate all collections as
13 prescribed by Sections 2702 and 2702.1 of Title 68 of the Oklahoma
14 Statutes.

15 SECTION 3. This act shall become effective November 1, 2025.

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