

1 ENGROSSED SENATE  
2 BILL NO. 1850

By: Sykes and Leftwich of the  
Senate

3 and

4 Terrill of the House

5  
6  
7 [ revenue and taxation - sales tax - codification -  
8 effective date ]  
9

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

11 SECTION 1. AMENDATORY Section 3, Chapter 136, O.S.L.  
12 2007 (68 O.S. Supp. 2009, Section 1357.10), is amended to read as  
13 follows:

14 Section 1357.10 A. The sale of an article of clothing or  
15 footwear designed to be worn on or about the human body or the sale  
16 of any school supply, school art supply or school instructional  
17 material shall be exempt from the tax imposed by Section 1354 of  
18 ~~Title 68 of the Oklahoma Statutes~~ this title if:

19 1. The sales price of the article, supply or material is less  
20 than One Hundred Dollars (\$100.00); and

21 2. The sale takes place during a period beginning at 12:01 a.m.  
22 on the first Friday in August and ending at 12 midnight on the  
23 following Sunday, covering a period of three (3) days.

24 B. Subsection A of this section shall not apply to:

1 1. Any special clothing or footwear that is primarily designed  
2 for athletic activity or protective use and that is not normally  
3 worn except when used for athletic activity or protective use for  
4 which it is designed;

5 2. Accessories, including jewelry, handbags, luggage,  
6 umbrellas, wallets, watches, and similar items carried on or about  
7 the human body, without regard to whether worn on the body in a  
8 manner characteristic of clothing; and

9 3. The rental of clothing or footwear; and

10 4. Computers or school computer supplies as defined in the  
11 Streamlined Sales and Use Tax Agreement.

12 C. For purposes of this section;

13 1. "Clothing or footwear" means human wearing apparel suitable  
14 for general use, including the following:

15 a. pants,

16 b. jeans,

17 c. skirts,

18 d. blouses,

19 e. shirts,

20 f. athletic supporters,

21 g. belts and suspenders,

22 h. boots,

23 i. coats and jackets,

24 j. ear muffs,

1            k. gloves and mittens,  
2            l. hats and caps,  
3            m. hosiery,  
4            n. insoles for shoes,  
5            o. lab coats,  
6            p. pantyhose,  
7            q. rainwear,  
8            r. sandals,  
9            s. scarves,  
10           t. shoes and shoe laces,  
11           u. slippers,  
12           v. sneakers,  
13           w. socks and stockings,  
14           x. underwear, and  
15           z. uniforms, athletic and nonathletic;

16           2. "School supply" means an item commonly used by a student in  
17 a course of study;

18           3. "School art supply" means an item commonly used by a student  
19 in a course of study for artwork; and

20           4. "School instructional material" means written material  
21 commonly used by a student in a course of study as a reference and  
22 to learn the subject being taught.

23           D. The Oklahoma Tax Commission shall promulgate any necessary  
24 rules to implement the provisions of this section. Any rules

1 pertaining to the exemption for school supplies, school art supplies  
2 and school instructional materials shall be consistent with the  
3 Streamlined Sales and Use Tax Agreement.

4 SECTION 2. AMENDATORY Section 5, Chapter 136, O.S.L.  
5 2007 (68 O.S. Supp. 2009, Section 1377), is amended to read as  
6 follows:

7 Section 1377. The sales tax imposed by any county or authority  
8 authorized by law to levy a sales tax shall not be imposed upon the  
9 sale of an article of clothing or footwear designed to be worn on or  
10 about the human body or the sale of any school supply, school art  
11 supply or school instructional material in accordance with and to  
12 the extent set forth in Section ~~3 of this act~~ 1357.10 of this title.

13 SECTION 3. AMENDATORY 68 O.S. 2001, Section 2701, as  
14 last amended by Section 6, Chapter 136, O.S.L. 2007 (68 O.S. Supp.  
15 2009, Section 2701), is amended to read as follows:

16 Section 2701. A. Any incorporated city or town in this state  
17 is hereby authorized to assess, levy, and collect taxes for general  
18 and special purposes of municipal government as the Legislature may  
19 levy and collect for purposes of state government, subject to the  
20 provisions of subsection F of this section, except ad valorem  
21 property taxes. Provided:

22 1. Taxes shall be uniform upon the same class subjects, and any  
23 tax, charge, or fee levied upon or measured by income or receipts  
24

1 from the sale of products or services shall be uniform upon all  
2 classes of taxpayers;

3 2. Motor vehicles may be taxed by the city or town only when  
4 such vehicles are primarily used or located in such city or town for  
5 a period of time longer than six (6) months of a taxable year;

6 3. The provisions of this section shall not be construed to  
7 authorize imposition of any tax upon persons, firms, or corporations  
8 exempted from other taxation under the provisions of Sections 348.1,  
9 624 and 321 of Title 36 of the Oklahoma Statutes, by reason of  
10 payment of taxes imposed under such sections;

11 4. Cooperatives and communications companies are hereby  
12 authorized to pass on to their subscribers in the incorporated city  
13 or town involved, the amount of any special municipal fee, charge or  
14 tax hereafter assessed or levied on or collected from such  
15 cooperatives or communications companies;

16 5. No earnings, payroll or income taxes may be levied on  
17 nonresidents of the cities or towns levying such tax;

18 6. The governing body of any city or town shall be prohibited  
19 from proposing taxing ordinances more often than three times in any  
20 calendar year, or twice in any six-month period; and

21 7. Any revenues derived from a tax authorized by this  
22 subsection not dedicated to a limited purpose shall be deposited in  
23 the municipal general fund.

1       B. A sales tax authorized in subsection A of this section may  
2 be levied for limited purposes specified in the ordinance levying  
3 the tax. Such ordinance shall be submitted to the voters for  
4 approval as provided in Section 2705 of this title. Any sales tax  
5 levied or any change in the rate of a sales tax levied pursuant to  
6 the provisions of this section shall become effective on the first  
7 day of the calendar quarter following approval by the voters of the  
8 city or town unless another effective date, which shall also be on  
9 the first day of a calendar quarter, is specified in the ordinance  
10 levying the sales tax or changing the rate of sales tax. Such  
11 ordinance shall describe with specificity the projects or  
12 expenditures for which the limited-purpose tax levy would be made.  
13 The municipal governing body shall create a limited-purpose fund and  
14 deposit therein any revenue generated by any tax levied pursuant to  
15 this subsection. Money in the fund shall be accumulated from year  
16 to year. The fund shall be placed in an insured interest-bearing  
17 account and the interest which accrues on the fund shall be retained  
18 in the fund. The fund shall be nonfiscal and shall not be  
19 considered in computing any levy when the municipality makes its  
20 estimate to the excise board for needed appropriations. Money in  
21 the limited-purpose tax fund shall be expended only as accumulated  
22 and only for the purposes specifically described in the taxing  
23 ordinance as approved by the voters.

1 C. The Oklahoma Tax Commission shall give notice to all vendors  
2 of a rate change at least sixty (60) days prior to the effective  
3 date of the rate change. Provided, for purchases from printed  
4 catalogs wherein the purchaser computed the tax based upon local tax  
5 rates published in the catalog, the rate change shall not be  
6 effective until the first day of a calendar quarter after a minimum  
7 of one hundred twenty (120) days' notice to vendors. Failure to  
8 give notice as required by this section shall delay the effective  
9 date of the rate change to the first day of the next calendar  
10 quarter.

11 D. The change in the boundary of a municipality shall be  
12 effective, for sales and use tax purposes only, on the first day of  
13 a calendar quarter after a minimum of sixty (60) days' notice to  
14 vendors.

15 E. If the proceeds of any sales tax levied by a municipality  
16 pursuant to subsection B of this section are being used by the  
17 municipality for the purpose of retiring indebtedness incurred by  
18 the municipality or by a public trust of which the municipality is a  
19 beneficiary for the specific purpose for which the sales tax was  
20 imposed, the sales tax shall not be repealed until such time as the  
21 indebtedness is retired. However, in no event shall the life of the  
22 tax be extended beyond the duration approved by the voters of the  
23 municipality. The provisions of this subsection shall apply to all  
24 sales tax levies imposed by a municipality and being used by the

1 municipality for the purposes set forth in this subsection prior to  
2 or after July 1, 1995.

3 F. The sale of an article of clothing or footwear designed to  
4 be worn on or about the human body or the sale of any school supply,  
5 school art supply or school instructional material shall be exempt  
6 from the sales tax imposed by any incorporated city or town, in  
7 accordance with and to the extent set forth in Section ~~3 of this act~~  
8 1357.10 of this title.

9 SECTION 4. NEW LAW A new section of law to be codified  
10 in the Oklahoma Statutes as Section 2355.1E of Title 68, unless  
11 there is created a duplication in numbering, reads as follows:

12 For tax years beginning after December 31, 2010, the Oklahoma  
13 Tax Commission shall disallow any credit against the tax imposed on  
14 corporations by subsections D and E of Section 2355 of this title if  
15 it is determined by the Tax Commission that the corporation has  
16 compensated any executive or officer in an amount greater than twice  
17 the estimated median income for the state for the preceding year as  
18 such amount is determined by the United States Department of Housing  
19 and Urban Development.

20 SECTION 5. This act shall become effective November 1, 2010.  
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1 Passed the Senate the 10th day of March, 2010.

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3 \_\_\_\_\_  
4 Presiding Officer of the Senate

5 Passed the House of Representatives the \_\_\_\_ day of \_\_\_\_\_,  
6 2010.

7  
8 \_\_\_\_\_  
9 Presiding Officer of the House  
10 of Representatives