

BILL SUMMARY
2nd Session of the 52nd Legislature

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| Bill No.: | HB 2716 |
| Version: | Introduced |
| Author: | Representative McPeak |
| Date: | February 15, 2010 |
| Impact: | FY11: Franchise Tax Revenue Decrease of \$8.82 million & Administrative Costs for the AG's Office of \$390,100 |

Bill Summary

Research Analyst: Arnella Karges

The introduced version of HB 2716 creates the Unconstitutional Interstate Taxation Prevention Unit, which is authorized to file a court action to prevent any external state or local government entity from establishing other state or local taxes upon any institution organized under Oklahoma law or having its principal place of business within Oklahoma. The Oklahoma Tax Commission is required to provide assistance as necessary. The measure allows businesses to apply to the Unconstitutional Interstate Taxation Prevention Unit for credit against tax liability and aid, pending the Unit's approval. The measure authorizes Unconstitutional Interstate Taxation Prevention Unit to communicate with revenue collecting agencies of other states to file actions in federal or state courts or with state administrative agencies having jurisdiction.

Fiscal Summary

Fiscal Analyst: Diane Thomas

HB 2716: requires:

- Requires the Attorney General (AG) to establish an Unconstitutional Interstate Taxation Prevention Unit;
- Provides operational procedures for the unit;
- Requires the Tax Commission to assist the AG 's office in certain communications and
- Creates a tax credit relating to franchise tax.

Fiscal Analysis

HB 2716 provides a franchise tax credit if an entity has been assessed (by another state or locality for an activity either entirely or principally in Oklahoma) the following:

- Income tax,
- Sales tax,
- Use tax,
- Excise tax,
- Gross receipts tax,
- Franchise tax, or
- Other state or local taxes.

The measure also establishes a unit in the Attorney General's office called "The Unconstitutional Interstate Taxation Prevention Unit", and lists procedures for the Unit.

The Tax Commission data relating to Franchise tax indicates there are 735 taxpayers annually remitting the maximum amount (\$20,000) of franchise tax. It is estimated that a minimum of 60% or 441 entities of those remitters may be eligible for the credit, which results in a fiscal impact of \$8.82 million. It is anticipated that the revenue decrease will occur in FY11.

Also, according to the Office of the Attorney General, the new Unconstitutional Interstate Taxation Prevention Unit will cost \$390,100 the first year and \$378,900 in subsequent years. The annual cost estimate includes four FTE and administrative costs.

Long Term Fiscal Considerations

As stated above.

Fiscal Analysis Reviewed By:

Janice Buchanan

House Fiscal Director