

BILL SUMMARY

1st Session of the 54th Legislature

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| Bill No.: | HB 1625 |
| Version: | CS |
| Request Number: | 7447 |
| Author: | Rep. Ortega |
| Date: | 3/6/2013 |
| Impact: | Tax Commission: |
| | FY-14 Sales tax Decrease of \$3.15 Million |

Research Analysis

The Committee Substitute for HB1625 excludes any trade in credit earned and used during the sales of automobile parts from sales tax. Current law requires sales tax to be collected on the core charge for any item sold, regardless if a trade in took place and the credit was utilized during the sale.

Prepared By: Quyen Do

Fiscal Analysis

Review of a major auto part distributor's website indicates that the most common automobile parts with associated core charges are batteries, alternators, starters, air conditioning compressors, engine water pumps, brake boosters, brake cylinders, engine heads, and engine blocks. The average core charges were developed through research of the distributor's information utilizing the Ford F-150 pick-up as the model vehicle.

For purposes of this impact the following assumptions are made regarding the percentage of automobiles currently in use in Oklahoma requiring these parts and the average associated core charges.

- 5% or 28,272 cars between the ages of 1-4 years will require a car battery with an average core charge of \$16.00.
- 85% or 652,493 cars between the ages of 5-8 years will require a battery and a varying combination of parts which include starters, alternators, A/C compressors, engine water pumps with an average core charge of \$33.11.
- 45% or 294,918 cars between 9-12 years of age will require a varying combination of car parts which include batteries, starters, alternators, A/C compressors, engine water pumps and brake boosters with an average core charge of \$53.84.
- 33% or 151,882 cars between the ages of 13-16 years of age will require a varying combinations of parts i.e., batteries, starters, alternators, A/C compressors, engine water pumps and brake boosters that have an average core charge of \$141.67.
- 33% or 190,470 cars over the age of 17 years old will require a varying combination of the above-referenced parts in addition to engine blocks, engine heads and brake cylinders with an average core charge of \$112.97.

Multiplying the number of cars in the referenced categories by their associated average core charges results in estimated taxable gross receipts of \$72,160,143. A 5% gross receipts reduction for the subject parts which are not traded in results in estimated taxable gross receipts of \$68,552,136. Application of the state sales tax rate of 4.5% (including an inflation rate adjustment of 2.1%) results in a decrease of state sales tax collections of \$3,149,628 for FY 14.

Prepared By: Mark Tygret

Other Considerations

None