OKLAHOMA TAX COMMISSION

FISCAL IMPACT STATEMENT AND/OR ADMINISTRATIVE IMPACT STATEMENT
SECOND REGULAR SESSION, FIFTY-FOURTH OKLAHOMA LEGISLATURE

DATE OF IMPACT STATEMENT: January 17, 2014

BILL NUMBER: HB 2362 **STATUS AND DATE OF BILL:** Introduced 1/06/2014

AUTHORS: House Roberts (Dustin) Senate n/a

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

PROPOSAL: Amendatory 68 O.S. § 1357

The measure proposes to exempt from sales tax, the portion of gross receipts derived from the sale of automobile parts which constitutes core charges which are received for the purpose of securing a trade-in for the article purchased. If the article is not traded in, the tax is due on the core charge.

EFFECTIVE DATE: Emergency - July 1, 2014

REVENUE IMPACT:

Insert dollar amount (plus or minus) of the expected change in state revenues due to this proposed legislation.

FY 15: A decrease of $3,529,000 in state sales tax revenues

ADMINISTRATIVE IMPACT:

Insert the estimated cost or savings to the Tax Commission due to this proposed legislation.

FY 15: none

Jan. 17, 2014 — Rick Miller — msm
DATE — DIVISION DIRECTOR

1-21-2014 — Reece Womack
DATE — REECE WOMACK, ECONOMIST

Jan 17, 2014 — [illegible]
DATE — FOR THE COMMISSION

ATTACHMENT TO FISCAL IMPACT–HB 2362-[Introduced] Prepared January 17, 2014.

The measure proposes to exempt from sales tax, the portion of gross receipts derived from the sale of automobile parts which constitutes core charges which are received for the purpose of securing a trade-in for the article purchased. If the article is not traded in, the tax is due on the core charge.

Analysis:

Based on Tax Commission records, it is estimated that as of January 2014, there are 3,039,204 non-commercial automobiles that are tagged and currently in use in the state of Oklahoma. Of these vehicles approximately 567,934 are between 1-4 years of age, 771,017 are between 5-8 years of age, 658,257 are between 9-12 years of age, 462,274 are between 13-16 years of age, and 579,722 are 17 years of age and older.

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 28,397 cars between the ages of 1-4 years will require a car battery with an average core charge of $16.00.
- 85% or 655,364 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 296,215 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 152,550 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 191,308 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 $81,325,493. A 5% gross receipts reduction for the subject parts which are not traded in results in estimated taxable gross receipts of $77,259,218. Application of the state sales tax rate of 4.5% (including an inflation rate adjustment of 1.5%) results in a decrease of state sales tax collections of $3,528,815 for FY 15.