

BILL SUMMARY
1st Session of the 55th Legislature

Bill No.:	HB 1553
Version:	INT
Request Number:	5140
Author:	Rep. Derby
Date:	2/18/2015
Impact:	Tax Commission:
	Unknown Impact on Local Taxing Jurisdictions
	Minimal Administrative Cost to the Tax Commission

Research Analysis

Introduced HB1553 creates the Heavy Equipment Rental Tax Act for the purpose of establishing a one percent levy on the rental price of all qualified heavy equipment rented by a qualified renter beginning July 1, 2016. The one percent rental tax is in lieu of the ad valorem taxes on qualified heavy equipment.

Prepared By: Quyen Do

Fiscal Analysis

From the Tax Commission:

Section 1 proposes enactment of the Heavy Equipment Rental Tax Act and provides definitions of rental price², qualified heavy equipment³, mobile qualified heavy equipment⁴, qualified renter and renting or rent⁵.

Section 2 proposes a rental tax of 1% on the rental price of all qualified heavy equipment rented by a qualified renter which is a business primarily engaged in the rental of qualified heavy equipment, and is engaged in a line of business described in the North American Industry Classification System (NAICS) code 53412⁶. The rental is in lieu of the ad valorem taxes due on the qualified heavy equipment.

It further states the intent of the Legislature that the in lieu tax imposed not be greater than the tax owed if the subject property were taxed on an ad valorem basis.

The tax is to be collected at the time of the payment of the rental invoice, and is to be remitted to the Oklahoma Tax Commission on the 20th day of each month in which payments for rental agreements subject to the tax are made.

Apportionment procedures are also specified in the bill.

Revenue Analysis

There is no impact to state tax revenue associated with the amendments proposed in this measure. Any resulting revenue impact to tax collections of local taxing jurisdictions occurring as a result of this measure cannot be quantified at this time due to multiple unknown variables, including the total estimated rental receipts for qualifying equipment, and current ad valorem taxes paid by a qualified renter on said equipment. Therefore, the revenue impact to local tax collections is unknown.

Administrative Analysis

A minimum increase in administrative costs would be incurred by the OTC as a result of this measure attributable to development of system formatting and heavy equipment rental tax form as well as notification to entities relating to imposition of the new tax levy.

2 "Rental price" means the total amount of the charge for renting the qualified heavy equipment, excluding any separately stated charges that are not rental charges, including, but not limited to separately stated charges for delivery and pickup fees, damage waivers, environmental mitigation fees, fuel charges, or sales or retail gross receipts taxes.

3 "Qualified heavy equipment" means any construction, earthmoving or industrial equipment that is mobile and rented by a qualified renter, including attachments for the equipment or other ancillary equipment, including, but not limited to, all of the following:

- a. a self-propelled vehicle that is not designed to be driven on state roads or highways,
- b. industrial electrical generation or portable HVAC equipment,
- c. industrial lift equipment,
- d. industrial material handling equipment, and
- e. equipment used in shoring, shielding, and ground trenching.

4 "Mobile qualified heavy equipment" means qualified heavy equipment that is not intended to be permanently affixed to real property for the purpose of using the qualified heavy equipment for its intended use, or intended to be moved among worksites as needed.

5 "Renting" or "rent" means a rental for a period of less than 365 days, or under a contract with no defined term, or an open-ended contract.

6 This classification comprises establishments primarily engaged in renting or leasing heavy equipment without operators that may be used for construction, mining, or forestry, such as bulldozers, earthmoving equipment, well-drilling machinery and equipment, or cranes.

Prepared By: Mark Tygret

Other Considerations

None.