OKLAHOMA TAX COMMISSION

FISCAL IMPACT STATEMENT AND/OR ADMINISTRATIVE IMPACT STATEMENT
FIRST REGULAR SESSION, FIFTY-FIFTH OKLAHOMA LEGISLATURE

DATE OF IMPACT STATEMENT: February 3, 2015

BILL NUMBER: SB 627 **STATUS AND DATE OF BILL:** Introduced 01/22/2015

AUTHORS: House n/a Senate Pittman

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

PROPOSAL: Amendatory - 68 O. S. § 1357

The measure proposes to exempt from the levy of sales tax, sales of tangible personal property or services not to exceed Twenty-five Thousands ($25,000) per year to persons who have been honorably discharged from active service in any branch of the Armed Forces of the United States or Oklahoma National Guard and who have been awarded the Purple Heart military decoration[1]. The proposed exemption also extends to the surviving spouse of the deceased qualifying veteran if the spouse has not remarried. Sales qualifying for the unremarried surviving spouse of a deceased Purple Heart recipient are limited to one thousand ($1,000) per year.

EFFECTIVE DATE: July 1, 2015 - Emergency

REVENUE IMPACT:

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

FY 16: $1,531,000 decrease in state sales tax collections

ADMINISTRATIVE IMPACT:

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

FY 16: None

Feb. 3, 2015 — Rick Miller — bjs
DATE — DIVISION DIRECTOR

2-3-15 — Reece Womack
DATE — REECE WOMACK, ECONOMIST

2/3/15 — [signature]
DATE — FOR THE COMMISSION

1 As certified by the United States Department of Veterans Affairs or its successor.

ATTACHMENT TO FISCAL IMPACT – SB 627 [Introduced] Prepared February 3, 2015

The measure proposes to exempt from the levy of sales tax, sales of tangible personal property not to exceed Twenty-five Thousands ($25,000) per year to persons who have been honorably discharged from active service in any branch of the Armed Forces of the United States or Oklahoma National Guard with certification of being awarded the Purple Heart military decoration from the United States Department of Veterans Affairs or its successor. The proposed exemption also extends to the surviving spouse of the deceased qualifying veteran if the spouse has not remarried. Sales qualifying for the unremarried surviving spouse of a deceased Purple Heart recipient are limited to one thousand ($1,000) per year.

For 2014, 1,505 Purple Heart Recipient license plates were issued to Oklahoma residents who have been awarded the Purple Heart military decoration or to their surviving spouses, if such spouse had not since remarried, or if remarried, the remarriage has been terminated by death, divorce or annulment.[2] For purposes of this impact, it is assumed that 10% or 150 plates were issued to qualifying surviving spouses resulting in 1,355 plates issued Purple Heart Recipients. Similar applicant numbers for purposes of the sales tax exemption proposed in this measure are assumed here. Multiplying the 1,355 Purple Heart recipients by the proposed sales tax exemption of $25,000, results in total annual sales taxable expenditures of $33,875,000 for FY 16. Applying the state sales tax rate of 4.5% yields a decrease in state sales tax collections of $1,524,375.

Multiplying the 150 surviving spouses by the proposed expenditure threshold of $1,000, results in total annual sales tax expenditures of $150,000 for FY 16. Applying the state tax rate of 4.5% yields a decrease in state sales tax collections of $6,750.

Net Revenue Impact: Estimated decrease in state sales tax collection of $1,531,125 for FY 16.

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2 2014 Annual Vehicle Registration Report