

STATE OF OKLAHOMA

2nd Session of the 55th Legislature (2016)

SENATE BILL 1484

By: Jolley

AS INTRODUCED

An Act relating to sales tax; amending 68 O.S. 2011, Sections 1354, as amended by Section 2, Chapter 323, O.S.L. 2012, and 1402 (68 O.S. Supp. 2015, Section 1354), which relate to the sales and use tax rate and base; providing exceptions; modifying sales and use tax rate and base after certain date; requiring Oklahoma Tax Commission to develop specified list and to promulgate specified rule by certain date; providing an effective date; and declaring an emergency.

BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

SECTION 1. AMENDATORY 68 O.S. 2011, Section 1354, as amended by Section 2, Chapter 323, O.S.L. 2012 (68 O.S. Supp. 2015, Section 1354), is amended to read as follows:

Section 1354. A. ~~There~~ Except as otherwise provided in subsection C of this section, there is hereby levied upon all sales, not otherwise exempted in the Oklahoma Sales Tax Code, an excise tax of four and one-half percent (4.5%) of the gross receipts or gross proceeds of each sale of the following:

1. Tangible personal property, except newspapers and periodicals;

1 2. Natural or artificial gas, electricity, ice, steam, or any
2 other utility or public service, except water, sewage and refuse.
3 Provided, the rate of four and one-half percent (4.5%) shall not
4 apply to sales subject to the provisions of paragraph 6 of Section
5 1357 of this title;

6 3. Transportation for hire to persons by common carriers,
7 including railroads both steam and electric, motor transportation
8 companies, pullman car companies, airlines, and other means of
9 transportation for hire, excluding:

10 a. transportation services provided by a tourism service
11 broker which are incidental to the rendition of
12 tourism brokerage services by such broker to a
13 customer regardless of whether or not such
14 transportation services are actually owned and
15 operated by the tourism service broker. For purposes
16 of this subsection, "tourism service broker" means any
17 person, firm, association or corporation or any
18 employee of such person, firm, association or
19 corporation which, for a fee, commission or other
20 valuable consideration, arranges or offers to arrange
21 trips, tours or other vacation or recreational travel
22 plans for a customer, and
23
24

1 b. transportation services provided by a funeral
2 establishment to family members and other persons for
3 purposes of conducting a funeral in this state;

4 4. Intrastate, interstate and international telecommunications
5 services sourced to this state in accordance with Section 1354.30 of
6 this title and ancillary services. Provided:

7 a. the term "telecommunications services" shall mean the
8 electronic transmission, conveyance, or routing of
9 voice, data, audio, video, or any other information or
10 signals to a point, or between or among points. The
11 term "telecommunications services" includes such
12 transmission, conveyance, or routing in which computer
13 processing applications are used to act on the form,
14 code or protocol of the content for purposes of
15 transmission, conveyance or routing without regard to
16 whether such service is referred to as voice-over
17 Internet protocol services or is classified by the
18 Federal Communications Commission as enhanced or value
19 added. "Telecommunications services" do not include:

20 (1) data processing and information services that
21 allow data to be generated, acquired, stored,
22 processed, or retrieved and delivered by an
23 electronic transmission to a purchaser where such
24

purchaser's primary purpose for the underlying transaction is the processed data or information,

(2) installation or maintenance of wiring or equipment on a customer's premises,

(3) tangible personal property,

(4) advertising, including but not limited to directory advertising,

(5) billing and collection services provided to third parties,

(6) Internet access services,

(7) radio and television audio and video programming services, regardless of the medium, including the furnishing of transmission, conveyance and routing of such services by the programming service provider. Radio and television audio and video programming services shall include, but not be limited to, cable service as defined in 47 U.S.C. 522(6) and audio and video programming services delivered by commercial mobile radio service providers, as defined in 47 C.F.R. 20.3~~7~~1,

(8) ancillary services, or

(9) digital products delivered electronically, including but not limited to, software, music, video, reading materials or ring tones,

- 1 b. the term "interstate" means a "telecommunications
2 service" that originates in one United States state,
3 or a United States territory or possession, and
4 terminates in a different United States state or a
5 United States territory or possession,
- 6 c. the term "intrastate" means a telecommunications
7 service that originates in one United States state or
8 a United States territory or possession, and
9 terminates in the same United States state or a United
10 States territory or possession,
- 11 d. the term "ancillary services" means services that are
12 associated with or incidental to the provision of
13 telecommunications services, including but not limited
14 to "detailed telecommunications billing", "directory
15 assistance", "vertical service", and "voice mail
16 services",
- 17 e. in the case of a bundled transaction that includes
18 telecommunication service, ancillary service, internet
19 access or audio or video programming service:
- 20 (1) if the price is attributable to products that are
21 taxable and products that are nontaxable, the
22 portion of the price attributable to the
23 nontaxable products may be subject to tax unless
24 the provider can identify by reasonable and

1 verifiable standards such portion for its books
2 and records kept in the regular course of
3 business for other purposes, including, but not
4 limited to, nontax purposes, and

5 (2) the provisions of this paragraph shall apply
6 unless otherwise provided by federal law, and

7 f. a sale of prepaid calling service or prepaid wireless
8 calling service shall be taxable at the time of sale
9 to the customer;

10 5. Telecommunications nonrecurring charges, which means an
11 amount billed for the installation, connection, change or initiation
12 of telecommunications services received by a customer;

13 6. Printing or printed matter of all types, kinds, or character
14 and, except for services of printing, copying or photocopying
15 performed by a privately owned scientific and educational library
16 sustained by monthly or annual dues paid by members sharing the use
17 of such services with students interested in the study of geology,
18 petroleum engineering or related subjects, any service of printing
19 or overprinting, including the copying of information by mimeograph,
20 multigraph, or by otherwise duplicating written or printed matter in
21 any manner, or the production of microfiche containing information
22 from magnetic tapes or other media furnished by customers;

23 7. Service of furnishing rooms by hotel, apartment hotel,
24 public rooming house, motel, public lodging house, or tourist camp;

1 8. Service of furnishing storage or parking privileges by auto
2 hotels or parking lots;

3 9. Computer hardware, software, coding sheets, cards, magnetic
4 tapes or other media on which prewritten programs have been coded,
5 punched, or otherwise recorded, including the gross receipts from
6 the licensing of software programs;

7 10. Foods, confections, and all drinks sold or dispensed by
8 hotels, restaurants, or other dispensers, and sold for immediate
9 consumption upon the premises or delivered or carried away from the
10 premises for consumption elsewhere;

11 11. Advertising of all kinds, types, and characters, including
12 any and all devices used for advertising purposes except those
13 specifically exempt pursuant to the provisions of Section 1357 of
14 this title;

15 12. Dues or fees to clubs including free or complimentary dues
16 or fees which have a value equivalent to the charge that would have
17 otherwise been made, including any fees paid for the use of
18 facilities or services rendered at a health spa or club or any
19 similar facility or business;

20 13. Tickets for admission to or voluntary contributions made to
21 places of amusement, sports, entertainment, exhibition, display, or
22 other recreational events or activities, including free or
23 complimentary admissions which have a value equivalent to the charge
24 that would have otherwise been made;

1 14. Charges made for the privilege of entering or engaging in
2 any kind of activity, such as tennis, racquetball, or handball, when
3 spectators are charged no admission fee;

4 15. Charges made for the privilege of using items for
5 amusement, sports, entertainment, or recreational activity, such as
6 trampolines or golf carts;

7 16. The rental of equipment for amusement, sports,
8 entertainment, or other recreational activities, such as bowling
9 shoes, skates, golf carts, or other sports or athletic equipment;

10 17. The gross receipts from sales from any vending machine
11 without any deduction for rental to locate the vending machine on
12 the premises of a person who is not the owner or any other
13 deductions therefrom;

14 18. The gross receipts or gross proceeds from the rental or
15 lease of tangible personal property, including rental or lease of
16 personal property when the rental or lease agreement requires the
17 vendor to launder, clean, repair, or otherwise service the rented or
18 leased property on a regular basis, without any deduction for the
19 cost of the service rendered. If the rental or lease charge is
20 based on the retail value of the property at the time of making the
21 rental or lease agreement and the expected life of the property, and
22 the rental or lease charge is separately stated from the service
23 cost in the statement, bill, or invoice delivered to the consumer,
24

1 the cost of services rendered shall be deducted from the gross
2 receipts or gross proceeds;

3 19. Flowers, plants, shrubs, trees, and other floral items,
4 whether or not produced by the vendor, sold by persons engaged in
5 florist or nursery business in this state, including all orders
6 taken by an Oklahoma business for delivery in another state. All
7 orders taken outside this state for delivery within this state shall
8 not be subject to the taxes levied in this section;

9 20. Tangible personal property sold to persons, peddlers,
10 solicitors, or other salesmen, for resale when there is likelihood
11 that this state will lose tax revenue due to the difficulty of
12 enforcing the provisions of the Oklahoma Sales Tax Code because of:

- 13 a. the operation of the business,
- 14 b. the nature of the business,
- 15 c. the turnover of independent contractors,
- 16 d. the lack of place of business in which to display a
17 permit or keep records,
- 18 e. lack of adequate records,
- 19 f. the fact that the persons are minors or transients,
- 20 g. the fact that the persons are engaged in service
21 businesses, or
- 22 h. any other reasonable reason;

23 21. Any taxable services and tangible personal property
24 including materials, supplies, and equipment sold to contractors for

1 the purpose of developing and improving real estate even though said
2 real estate is intended for resale as real property, hereby declared
3 to be sales to consumers or users, however, taxable materials,
4 supplies and equipment sold to contractors as provided by this
5 subsection which are purchased as a result of and subsequent to the
6 date of a contract entered into either prior to the effective date
7 of any law increasing the rate of sales tax imposed by this article,
8 or entered into prior to the effective date of an ordinance or other
9 measure increasing the sales tax levy of a political subdivision
10 shall be subject to the rate of sales tax applicable, as of the date
11 such contract was entered into, to sales of such materials, supplies
12 and equipment if such purchases are required in order to complete
13 the contract. Such rate shall be applicable to purchases made
14 pursuant to the contract or any change order under the contract
15 until the contract or any change order has been completed, accepted
16 and the contractor has been discharged from any further obligation
17 under the contract or change order or until two (2) years from the
18 date on which the contract was entered into whichever occurs first.
19 The increased sales tax rate shall be applicable to all such
20 purchases at the time of sale and the contractor shall file a claim
21 for refund before the expiration of three (3) years after the date
22 of contract completion or five (5) years after the contract was
23 entered into, whichever occurs earlier. However, the Oklahoma Tax
24 Commission shall prescribe rules and regulations and shall provide

1 procedures for the refund to a contractor of sales taxes collected
2 on purchases eligible for the lower sales tax rate authorized by
3 this subsection;

4 22. Any taxable services and tangible personal property sold to
5 persons who are primarily engaged in selling their services, such as
6 repairmen, hereby declared to be sales to consumers or users; and

7 23. Canoes and paddleboats as defined in Section 4002 of Title
8 63 of the Oklahoma Statutes.

9 B. All solicitations or advertisements in print or electronic
10 media by Group Three vendors, for the sale of tangible property to
11 be delivered within this state, shall contain a notice that the sale
12 is subject to Oklahoma sales tax, unless the sale is exempt from
13 such taxation.

14 C. 1. There is hereby levied upon all sales occurring on or
15 after January 1, 2017, and not otherwise exempted in the Oklahoma
16 Sales Tax Code, an excise tax of three and seventy-five one
17 hundredths percent (3.75%) of the gross receipts or gross proceeds
18 of each sale enumerated in subsection A of this section and the sale
19 of services prescribed in paragraph 2 of this subsection.

20 2. On or before September 1, 2016, the Oklahoma Tax Commission
21 shall:

22 a. develop a comprehensive and detailed list of services
23 subject to sales tax in any other state,
24

- 1 b. determine which services are taxable in any state with
2 a border contiguous with this state and also in
3 twenty-five (25) or more states, and
4 c. promulgate rules providing for the levy of sales tax
5 beginning on January 1, 2017, on services which meet
6 the criteria of subparagraph b of this paragraph.

7 SECTION 2. AMENDATORY 68 O.S. 2011, Section 1402, is
8 amended to read as follows:

9 Section 1402. ~~There~~ A. Except as otherwise provided in
10 subsection B of this section, there is hereby levied and there shall
11 be paid by every person storing, using, or otherwise consuming
12 within this state, tangible personal property purchased or brought
13 into this state, an excise tax on the storage, use, or other
14 consumption in this state of such property at the rate of four and
15 one-half percent (4.5%) of the purchase price of such property.
16 Said tax shall not be levied on tangible personal property intended
17 solely for use in other states, but which is stored in Oklahoma
18 pending shipment to such other states or which is temporarily
19 retained in Oklahoma for the purpose of fabrication, repair,
20 testing, alteration, maintenance, or other service. The tax in such
21 instances shall be paid at the time of importation or storage of the
22 property within the state and a subsequent credit shall be taken by
23 the taxpayer for the amount so paid upon removal of the property
24 from the state. Such tax is hereby levied and shall be paid in an

1 amount equal to four and one-half percent (4.5%) of the purchase
2 price of such tangible personal property.

3 B. On or after January 1, 2017, there is hereby levied and
4 there shall be paid by every person storing, using, or otherwise
5 consuming within this state, tangible personal property purchased or
6 brought into this state, an excise tax on the storage, use, or other
7 consumption in this state of such property at the rate of three and
8 seventy-five one hundredths percent (3.75%) of the purchase price of
9 such property. The tax levy shall also apply to those services
10 subject to sales tax pursuant to subsection C of Section 1 of this
11 act.

12 SECTION 3. This act shall become effective July 1, 2016.

13 SECTION 4. It being immediately necessary for the preservation
14 of the public peace, health and safety, an emergency is hereby
15 declared to exist, by reason whereof this act shall take effect and
16 be in full force from and after its passage and approval.

17
18 55-2-3011 JCR 2/18/2016 6:57:45 PM
19
20
21
22
23
24