

## MEMORANDUM

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**OKLAHOMA TAX COMMISSION**  
TAX POLICY AND RESEARCH

DATE: May 17, 2016

SUBJECT: HB 3212 (Committee Substitute)

TO: Rick Miller, Director, Tax Policy Division

FROM: Morgan Lankford, Tax Policy Analyst

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This memorandum is in response to a Committee Substitute for HB 3212.

### Section 1

Section 1 of HB 3212 proposes to create a new law imposing an additional three cents tax per gallon on all gasoline and diesel fuel used or consumed in Oklahoma contingent upon certain price-related conditions.

Beginning December 2016 and continuing each month thereafter, the Tax Commission Executive Director shall calculate the applicable wholesale spot prices per gallon for Gulf Coast gasoline and low-sulfur diesel. The spot prices for gasoline and diesel shall be calculated by using an average of the per-gallon prices as published by the U.S. Energy Information Administration on the fifteenth day of each of the three preceding months. This additional tax shall only be imposed on gasoline and diesel for a month where the Executive Director calculates the average wholesale price to be less than \$3.00 per gallon of gasoline or diesel, respectively. The Tax Commission shall post on the Tax Commission website no later than the fifth day of each month the applicable tax rate to be in effect for gasoline and diesel fuel for the following month. All revenue from the additional tax shall be deposited in the State Treasury to the credit of the Rebuilding Oklahoma Access and Driver Safety Fund.

For purposes of this estimated revenue impact analysis, it is assumed the wholesale price per gallon for gasoline and low-sulfur diesel remains below \$3.00, there is an estimated FY 2017 increase to the Rebuilding Oklahoma Access and Driver Safety Fund of \$28,869,000<sup>1</sup> from gasoline collections and an estimated FY 2017 increase to Rebuilding Oklahoma Access and Driver Safety Fund of \$13,740,000<sup>2</sup> from diesel collections.

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<sup>1</sup> Actual FY 2015 gasoline collections from the Annual Report of the Oklahoma Tax Commission (Fiscal Year Ended June 30, 2015) were utilized. \$28,869,486 increase to gasoline collections was determined by 307,941,182.18 (FY 2015 gasoline collections) divided by .16 (current gasoline tax rate) multiplied by .03 (proposed tax rate) divided by 2 (new tax rate would only be in effect for half of FY 2017).

<sup>2</sup> Actual FY 2015 diesel collections from the Annual Report of the Oklahoma Tax Commission (Fiscal Year Ended June 30, 2015) were utilized. \$13,740,114 increase to diesel collections was determined by 119,080,990.10 (FY 2015 diesel collections) divided by .13 (current diesel tax rate) multiplied by .03 (proposed tax rate) divided by 2 (new tax rate would only be in effect for half of FY 2017).

## Section 2

Section 2 of HB 3212 proposes to amend 69 O.S. § 1521 by providing that monthly allotments of individual income tax collections that would otherwise be apportioned to the Rebuilding Oklahoma Access and Driver Safety Fund shall be reduced by an amount equal to the amount of funds deposited in the same month to the Rebuilding Oklahoma Access and Driver Safety Fund as a result of the additional 3 cents tax increase to gasoline and low-sulfur diesel fuel.

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### **Estimated Net Revenue Impact for FY 17:**

**\$ 426,090 increase to Ad Valorem Reimbursement Fund.**

**\$ 2,130,450 increase to Oklahoma Teacher Retirement Fund.**

**\$ 3,553,591 increase to 1017 Fund.**

**\$36,498,869 increase to the General Revenue Fund.**