

OKLAHOMA HOUSE OF REPRESENTATIVES
COMMITTEE REPORT

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JOINT COMMITTEE ON APPROPRIATIONS AND BUDGET

HB2372

By: Osborn (Leslie) et al of the House

David et al of the Senate

Title: Revenue and taxation; Revenue and Taxation Reform Act of 2017;
effective date.

Coauthored By:

Recommendation: **DO PASS AS AMENDED BY CS**

Amendments:

1. Committee Substitute Attached



Chr.
Representative Leslie Osborn

YEAS: 17

Biggs, Caldwell, Cockroft, Dunnington, Echols, Henke, Jordan, Loring, O'Donnell, Ortega, Osborn (L),
Ownbey, Pfeiffer, Russ, Sanders, Sears, Wallace

NAYS: 9

Bennett (J), Calvey, Casey, Kouplen, Murphey, Proctor, Roberts (D), Stone, Virgin

CONSTITUTIONAL PRIVILEGE: 0

**OKLAHOMA STATE SENATE
JOINT
COMMITTEE REPORT**

May 8, 2017

JOINT COMMITTEE ON APPROPRIATIONS AND BUDGET

HB 2372

By: Osborn (Leslie) of the House and David and Fields of the Senate

Title: Revenue and taxation; Revenue and Taxation Reform Act of 2017; effective date.

Recommendation: **DO PASS AS AMENDED**

Aye: Allen, Bergstrom, Bice, Boggs, Daniels, Dossett, Dugger, Floyd, Griffin, Holt, Jech, Kidd, Leewright, Marlatt, Matthews, McCortney, Newberry, Newhouse, Paxton, Pederson, Pemberton, Pittman, Pugh, Rader, Scott, Sharp, Shaw, Simpson, Smalley, Sparks, Standridge, Stanislawski, Thompson, Yen, Fields, David

Nay: Brecheen, Brown, Dahm, Fry, Quinn, Silk, Sykes

Pass:

Senator Kim David, Chair

Committee Substitute, motion by Senator DAVID - Adopted (Request No: 7845)

STATE OF OKLAHOMA

1st Session of the 56th Legislature (2017)

COMMITTEE SUBSTITUTE
FOR

HOUSE BILL NO. 2372

By: Osborn (Leslie) and Wallace
of the House

and

David and Fields of the
Senate

COMMITTEE SUBSTITUTE

An Act relating to revenue and taxation; stating purpose; imposing additional tax levy upon cigarettes; specifying amount of additional levy; providing for apportionment of revenues to certain funds; exempting levy from inclusion in determination of certain amounts; requiring certain collections and administration of levy; creating the Health Care Authority Enhancement Fund, the Mental Health and Substance Abuse Services Enhancement Fund, the Human Services Enhancement Fund, the University Hospitals Enhancement Fund, the Oklahoma State University Medical Authority Enhancement Fund, the Health Department Enhancement Fund, and the Health Care Enhancement Fund; exempting funds from fiscal year limitations; identifying funding source; declaring funds appropriated; authorizing appropriation from certain fund; requiring legislative authorization for budgeting and expenditure; requiring certain budgeting procedures; prohibiting sale of cigarette excise tax stamps to wholesalers in excess of certain amount; providing exception; providing for codification; and providing for noncodification.

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

1 SECTION 1. NEW LAW A new section of law to be codified

2 in the Oklahoma Statutes as Section 302-7 of Title 68, unless there
3 is created a duplication in numbering, reads as follows:

4 A. For the purpose of providing revenue for the support of the
5 functions of state government, in addition to the tax levied in
6 Sections 302, 302-1, 302-2, 302-3, 302-4 and 302-5 of Title 68 of
7 the Oklahoma Statutes, there is hereby levied upon the sale, use,
8 gift, possession or consumption of cigarettes, as defined in
9 Sections 301 through 325 of Title 68 of the Oklahoma Statutes,
10 within this state, a tax at the rate of seventy-five (75) mills per
11 cigarette.

12 B. 1. Except as provided in paragraph 2 of this subsection,
13 the revenue resulting from the additional tax levied in subsection A
14 of this section shall be apportioned as provided in paragraphs 3 and
15 4 of this subsection.

16 2. The net amount of any revenue resulting from a payment in
17 lieu of excise taxes on cigarettes levied by this section, which net
18 amount shall be calculated after deductions for rebates owed
19 pursuant to a compact with a federally recognized Indian tribe or
20 nation, shall be apportioned as provided in paragraphs 3 and 4 of
21 this subsection.

22 3. For the period beginning September 1, 2017, and ending June
23 30, 2018, the resulting revenues as described by paragraphs 1 and 2
24 of this subsection shall be apportioned by the Oklahoma Tax

1 Commission and transmitted to the State Treasurer, who shall deposit
2 the same in the State Treasury to the credit of the following funds
3 in the following percentages:

4 a. the first One Hundred Eighty-five Million Dollars
5 (\$185,000,000.00):

6 (1) fifty percent (50%) to the credit of the Health
7 Care Authority Enhancement Fund, created in
8 Section 2 of this act,

9 (2) twenty-three percent (23%) to the credit of the
10 Mental Health and Substance Abuse Services
11 Enhancement Fund, created in Section 3 of this
12 act,

13 (3) thirteen and five-tenths percent (13.5%) to the
14 credit of the Human Services Enhancement Fund,
15 created in Section 4 of this act,

16 (4) five and four-tenths percent (5.4%) to the credit
17 of the University Hospitals Enhancement Fund,
18 created in Section 5 of this act,

19 (5) five and four-tenths percent (5.4%) to the credit
20 of the Oklahoma State University Medical
21 Authority Enhancement Fund, created in Section 6
22 of this act, and
23
24

(6) two and seven-tenths percent (2.7%) to the credit of the Health Department Enhancement Fund, created in Section 7 of this act, and

b. one hundred percent (100%) resulting revenues in excess of One Hundred Eighty-five Million Dollars (\$185,000,000.00) to the credit of the General Revenue Fund of the state.

4. Beginning July 1, 2018, the resulting revenues as described by paragraphs 1 and 2 of this subsection shall be apportioned by the Oklahoma Tax Commission and transmitted to the State Treasurer, who shall deposit the same in the State Treasury to the credit of the following funds in the following amounts:

a. the first One Hundred Eighty-five Million Dollars (\$185,000,000.00) each fiscal year to the credit of the Health Care Enhancement Fund created in Section 8 of this act, and

b. all resulting revenue in excess of One Hundred Eighty-five Million Dollars (\$185,000,000.00) each fiscal year to the credit of the General Revenue Fund of the state.

C. No part of the revenues resulting from the additional taxes levied in this section shall be used in determining the amount of cigarette tax collections to be paid into:

1 1. The State of Oklahoma Building Bonds of 1961 Sinking Fund
2 pursuant to the provisions of Sections 57.31 through 57.43 of Title
3 62 of the Oklahoma Statutes;

4 2. The State of Oklahoma Institutional Building Bonds of 1965
5 Sinking Fund pursuant to the provisions of Sections 57.61 through
6 57.73 of Title 62 of the Oklahoma Statutes;

7 3. The State of Oklahoma Institutional Building Bonds of 1965
8 Sinking Fund Series C and Series D pursuant to the provisions of
9 Sections 57.81 through 57.112 of Title 62 of the Oklahoma Statutes;

10 4. The State of Oklahoma Building Bonds of 1968 Sinking Fund
11 pursuant to the provisions of Sections 57.121 through 57.193 of
12 Title 62 of the Oklahoma Statutes; or

13 5. The Oklahoma Building Bonds of 1992 Sinking Fund pursuant to
14 the provisions of Sections 57.300 through 57.313 of Title 62 of the
15 Oklahoma Statutes.

16 D. The cigarette taxes levied in this section shall be
17 collected and administered as provided by law for other cigarette
18 taxes now levied, collected and administered pursuant to the
19 provisions of Sections 301 through 325 of Title 68 of the Oklahoma
20 Statutes.

21 SECTION 2. NEW LAW A new section of law to be codified
22 in the Oklahoma Statutes as Section 302-7a of Title 68, unless there
23 is created a duplication in numbering, reads as follows:

1 There is hereby created in the State Treasury a fund for the
2 Oklahoma Health Care Authority to be designated the "Health Care
3 Authority Enhancement Fund". The fund shall be a continuing fund,
4 not subject to fiscal year limitations, and shall consist of monies
5 received pursuant to Section 1 of this act and any monies designated
6 to the fund by law. All monies accruing to the credit of the fund
7 are hereby appropriated and may be budgeted and expended by the
8 Oklahoma Health Care Authority as authorized by the Oklahoma
9 Legislature. Expenditures from the fund shall be made upon warrants
10 issued by the State Treasurer against claims filed as prescribed by
11 law with the Director of the Office of Management and Enterprise
12 Services for approval and payment.

13 SECTION 3. NEW LAW A new section of law to be codified
14 in the Oklahoma Statutes as Section 302-7b of Title 68, unless there
15 is created a duplication in numbering, reads as follows:

16 There is hereby created in the State Treasury a fund for the
17 Department of Mental Health and Substance Abuse Services to be
18 designated the "Mental Health and Substance Abuse Services
19 Enhancement Fund". The fund shall be a continuing fund, not subject
20 to fiscal year limitations, and shall consist of monies received
21 pursuant to Section 1 of this act and any monies designated to the
22 fund by law. All monies accruing to the credit of the fund are
23 hereby appropriated and may be budgeted and expended by the
24 Department of Mental Health and Substance Abuse Services as

1 authorized by the Oklahoma Legislature. Expenditures from the fund
2 shall be made upon warrants issued by the State Treasurer against
3 claims filed as prescribed by law with the Director of the Office of
4 Management and Enterprise Services for approval and payment.

5 SECTION 4. NEW LAW A new section of law to be codified
6 in the Oklahoma Statutes as Section 302-7c of Title 68, unless there
7 is created a duplication in numbering, reads as follows:

8 There is hereby created in the State Treasury a fund for the
9 Department of Human Services to be designated the "Human Services
10 Enhancement Fund". The fund shall be a continuing fund, not subject
11 to fiscal year limitations, and shall consist of monies received
12 pursuant to Section 1 of this act and any monies designated to the
13 fund by law. All monies accruing to the credit of the fund are
14 hereby appropriated and may be budgeted and expended by the
15 Department of Human Services as authorized by the Oklahoma
16 Legislature. Expenditures from the fund shall be made upon warrants
17 issued by the State Treasurer against claims filed as prescribed by
18 law with the Director of the Office of Management and Enterprise
19 Services for approval and payment.

20 SECTION 5. NEW LAW A new section of law to be codified
21 in the Oklahoma Statutes as Section 302-7d of Title 68, unless there
22 is created a duplication in numbering, reads as follows:

23 There is hereby created in the State Treasury a fund for the
24 University Hospitals Authority to be designated the "University

1 Hospitals Enhancement Fund". The fund shall be a continuing fund,
2 not subject to fiscal year limitations, and shall consist of monies
3 received pursuant to Section 1 of this act and any monies designated
4 to the fund by law. All monies accruing to the credit of the fund
5 are hereby appropriated and may be budgeted and expended by the
6 University Hospitals Authority as authorized by the Oklahoma
7 Legislature. Expenditures from the fund shall be made upon warrants
8 issued by the State Treasurer against claims filed as prescribed by
9 law with the Director of the Office of Management and Enterprise
10 Services for approval and payment.

11 SECTION 6. NEW LAW A new section of law to be codified
12 in the Oklahoma Statutes as Section 302-7e of Title 68, unless there
13 is created a duplication in numbering, reads as follows:

14 There is hereby created in the State Treasury a fund for the
15 Oklahoma State University Medical Authority to be designated the
16 "Oklahoma State University Medical Authority Enhancement Fund". The
17 fund shall be a continuing fund, not subject to fiscal year
18 limitations, and shall consist of monies received pursuant to
19 Section 1 of this act and any monies designated to the fund by law.
20 All monies accruing to the credit of the fund are hereby
21 appropriated and may be budgeted and expended by the Oklahoma State
22 University Medical Authority as authorized by the Oklahoma
23 Legislature. Expenditures from the fund shall be made upon warrants
24 issued by the State Treasurer against claims filed as prescribed by

1 law with the Director of the Office of Management and Enterprise
2 Services for approval and payment.

3 SECTION 7. NEW LAW A new section of law to be codified
4 in the Oklahoma Statutes as Section 302-7f of Title 68, unless there
5 is created a duplication in numbering, reads as follows:

6 There is hereby created in the State Treasury a fund for the
7 State Department of Health to be designated the "Health Department
8 Enhancement Fund". The fund shall be a continuing fund, not subject
9 to fiscal year limitations, and shall consist of monies received
10 pursuant to Section 1 of this act and any monies designated to the
11 fund by law. All monies accruing to the credit of the fund are
12 hereby appropriated and may be budgeted and expended by the State
13 Department of Health as authorized by the Oklahoma Legislature.
14 Expenditures from the fund shall be made upon warrants issued by the
15 State Treasurer against claims filed as prescribed by law with the
16 Director of the Office of Management and Enterprise Services for
17 approval and payment.

18 SECTION 8. NEW LAW A new section of law to be codified
19 in the Oklahoma Statutes as Section 302-7g of Title 68, unless there
20 is created a duplication in numbering, reads as follows:

21 There is hereby created in the State Treasury a fund to be
22 designated the "Health Care Enhancement Fund". The fund shall be a
23 continuing fund, not subject to fiscal year limitations, and shall
24 consist of monies received pursuant to Section 1 of this act and any

monies designated to the fund by law. All monies accruing to the credit of the fund shall be appropriated at the discretion of the Legislature for the purpose of enhancing the health of Oklahomans.

SECTION 9. NEW LAW A new section of law not to be codified in the Oklahoma Statutes reads as follows:

The Oklahoma Tax Commission shall not sell cigarette excise tax stamps to any wholesaler in excess of the amount of the monthly average amount of such excise tax stamps sold to such wholesaler during the preceding calendar year prior to the effective date of Sections 1 and 2 of this act. Provided, the wholesaler may purchase in excess of the monthly average purchased during the preceding calendar year upon documentation, to the Tax Commission's satisfaction, of probable sales greater than the wholesaler's sales in the preceding calendar year.

56-1-7866 JM 05/08/17