

**BILL SUMMARY**  
1<sup>st</sup> Session of the 56<sup>th</sup> Legislature

<b>Bill No.:</b>	<b>HB 1373</b>
<b>Version:</b>	<b>FULLPCS2</b>
<b>Request Number:</b>	<b>6988</b>
<b>Author:</b>	<b>Representative Kerbs</b>
<b>Date:</b>	<b>2/20/2017</b>
<b>Impact:</b>	<b>OTC: Net Revenue Impact FY-18: \$2.2M Positive; FY-19: \$1.7M Positive</b>

**Research Analysis**

The 2<sup>nd</sup> proposed committee substitute to HB 1373 would require noncommercial trailers not qualifying as implements of husbandry to be registered with the Oklahoma Tax Commission in the same manner as all-terrain vehicles. The measure provides that “noncommercial trailer” is not to include frac tanks, construction machinery, rental trailers, commercial trailers or semitrailers designed to be pulled and usually pulled by a truck or truck-tractor. The measure provides that the initial registration fee is \$15 with \$9 apportioned to the Oklahoma Tax Commission Reimbursement Fund, \$2 to be retained by the tag agent, \$1.50 to be deposited in the Firearms Instructors Revolving Fund, \$1.50 to be deposited in the Oklahoma Emergency Management Operations Revolving Fund, \$1 to be deposited in the Oklahoma State University-Agricultural Extension Division-Educational and General Operations Revolving Fund. The measure creates the Oklahoma Emergency Management Operations Revolving Fund.

The measure repeals Title 47, Section 1133.3 which relates to optional registration of non-commercial boat trailers and utility type trailers.

Prepared By: Brad Wolgamott

**Fiscal Analysis**

From the Oklahoma Tax Commission:

Sections 1-3

Provides that for purposes of Section 1113 of Title 47 “noncommercial trailer” does not include frac tanks, construction machinery as defined by Section 1102 of Title 47, rental trailers, commercial trailers or semitrailers designed to be pulled and usually pulled by a truck or truck-tractor.

The proposal subjects noncommercial trailers not qualifying as implements of husbandry<sup>1</sup> to be registered thirty days after purchase. At the time of registration the Tax Commission is required to assign a distinctive number and issue the owner a certificate of registration and a yearly decal to be attached to the rear of the trailer. The initial and recurring registration fee of \$15.00 shall be assessed at the time of registration by the owner. The allocation of the proposed \$15 fee is outlined below:

\$9.00 to the Oklahoma Tax Commission Reimbursement Fund  
\$2.00 to be retained by the motor license agent  
\$1.50 to the Firearms Instructors Revolving Fund<sup>2</sup>  
\$1.50 to the Oklahoma Emergency Management Operations Revolving Fund  
\$1.00 to the Oklahoma State University-Agricultural Extension Division-Educational and General Operations Revolving Fund<sup>3</sup>

The measure exempts trailers from registration fees levied pursuant to 47 O.S. §1132(3)(A).

Based on previous projections, there are an estimated 175,770 unregistered noncommercial trailers in Oklahoma. For purposes of this impact it is estimated that 54% of these trailers are implements of husbandry/farm trailers resulting in an estimated 80,854 noncommercial trailers that will be affected by this measure.

#### **Registration Fees:**

For purposes of this impact it is assumed that all existing nonregistered trailers will be subject to the described registration requirements, resulting in an increase of vehicle registration fees of \$1,212,810 for FY 18.  $(80,854 \times \$15.00)$ .

#### **Title Fees:**

Based on Tax Commission records, approximately 14% of vehicle registration transactions represent an original title transaction (i.e. purchased new or entering from another state in any given year) and 18% of currently registered vehicles have a transfer title transaction in any given year (or 32% total). Multiplying 80,854 trailers currently unregistered by the \$11.00 title fee results in an initial increase in title fees of \$889,394 for FY18.  $[80,854 \times \$11 = \$889,394]$ . Multiplying the \$11.00 title fee by the 25,874 trailer registrations anticipated in subsequent years, results in an additional increase in title fees of \$284,614 for FY 19  $(80,854 \times 32\%$  or  $25,874 \text{ trailers} \times \$11.00)$ .

#### **Excise Tax:**

For purposes of the impact, the following assumptions are made:

- Taxable values of \$1,000 for new trailers and \$500 for used trailers.
- Excise tax would be assessed only on those trailers purchased on/after the effective date of the legislation.
- 41% of original titles issued result from a newly purchased vehicle (i.e. excise tax rate and taxable value applied)
- All other (59%) original and transfer titles correspond to used vehicles (i.e. excise tax rate and taxable value applied)
- Assume 50% of used trailers entering from another state are subject to excise tax (i.e. recently purchased)

#### **New Trailers:**

$[4,641 (41\% \text{ of } 14\% \text{ of } 80,854) \times \$33.00 (\text{Excise Rate @ } \$1,000 \text{ value}) = \$153,153]$

#### **Used Trailers:**

$[3,339 (50\% \text{ of } 59\% \text{ of } 14\% \text{ of } 80,854) + 14,554 (18\% \text{ of } 80,854) = 17,893] [17,893 \times \$16.25 (\text{Excise Rate @ } \$500 \text{ value}) = \$290,761]$

The measure proposes an effective date of November 1, 2017. The estimated increase in vehicle excise tax collections for FY 18 is \$295,943.  $[\$443,914 / 12 \text{ months} = 36,993 \times 8 \text{ months} = \$295,943]$ . For FY 19, the estimated increase in vehicle excise tax collections is \$443,914.

## **Sales Tax**

For purposes of the sales tax analysis, the average values of new and used trailers assumed for purposes of estimating excise tax are utilized at \$1,000 for new trailers, and \$500 for used trailers. Multiplying 4,641 new trailers by \$1,000 and 3,339 used private trailers by \$500 results in an estimated total of \$6,310,500 in taxable sales. Applying the state sales tax rate of 4.5% yields a decrease in state sales tax collections of \$283,973.

With an effective date of November 1, 2017, an estimated decrease in state sales tax collections of \$177,483 will occur in FY 18<sup>4</sup> and an estimated decrease in state sales tax collections of \$272,141<sup>5</sup> will occur in FY 19 assuming similar sales transactions for new and used trailers.

### **Section 4**

Creates the revolving fund for the Oklahoma Department of Emergency Management.

### **Section 5**

Repeals 47 O.S. § 1133.3 concerning optional registration for non-commercial boat and utility-type trailers.

### **Net Revenue Impact Summary FY 18**

- \$1,212,810 estimated increase in motor vehicle revenues (initial registrations) for FY 18
- \$889,394 estimated increase in title fees for FY 18 (initial year)
- \$295,943 estimated increase in vehicle excise tax for FY 18
- \$177,483 estimated decrease in state sales tax for FY 18

### **Net Revenue Impact Summary FY 19**

- \$1,212,810 estimated increase in motor vehicle revenues (subsequent registrations) for FY 19
- \$284,614 estimated increase in title fees for FY 19 and subsequent years
- \$443,914 estimated increase in vehicle excise tax for FY 19
- \$272,141 estimated decrease in state sales tax for FY 19

Prepared By: Nicole McPhetridge

### **Other Considerations**

None.