

OKLAHOMA TAX COMMISSION

FISCAL IMPACT STATEMENT AND/OR ADMINISTRATIVE IMPACT STATEMENT FIRST EXTRAORDINARY SESSION, FIFTY-SIXTH OKLAHOMA LEGISLATURE

DATE OF IMPACT STATEMENT: September 25, 2017

BILL NUMBER: SB 7x **STATUS AND DATE OF BILL:** Introduced 09/22/2017

AUTHORS: House n/a Senate Quinn et al.

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

PROPOSAL: Amendatory

The measure proposes amendments to Sections 1352 and 1359 of Title 68 to make the sales tax exemption afforded manufacturers inapplicable to entities engaged in electric power generation by means of wind.

EFFECTIVE DATE: Emergency – Upon Passage and Approval

REVENUE IMPACT:

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

FY 18: \$11,970,000 increase in state sales tax revenues

FY 19: \$20,520,000 increase in state sales tax revenues

ADMINISTRATIVE IMPACT:

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

FY 18: None

Sept 26, 2017
DATE

Rick Miller
DIVISION DIRECTOR

msm

DATE
9-26-17
DATE

REECE WOMACK, ECONOMIST
Reece Womack
FOR THE COMMISSION

ATTACHMENT TO FISCAL IMPACT-SB 7x-[Introduced]-Prepared September 25, 2017

The measure proposes amendments to Sections 1352 and 1359 of Title 68 to make the sales tax exemption afforded manufacturers inapplicable to entities engaged in electric power generation by means of wind. Currently, wind electric power generation facilities, as manufacturers of electricity, when holding a manufacturer sales tax exemption permit, may purchase the various components which comprise the facility's manufacturing operation exempt from sales/use tax pursuant to Section 1359(1) of Title 68.

Based on the American Wind Energy Association's U.S. Wind Industry First Quarter 2017 Market Report, approximately 912 MW of wind power capacity or 456 wind turbines¹ are projected to be installed at an Oklahoma wind farm in FY 18. A Million Dollars in tangible personal property costs are associated with each turbine. Multiplying the projected number of turbines by the associated costs generates an estimated increase in state sales tax collections of \$20,520,000. In accordance with the foregoing, an increase in state sales tax collections in the amount of \$11,970,000 is projected for FY 18. [$\$20,520,000 / 12 = \$1,710,000 \times 7$ collection months = \$11,970,000]. Assuming similar activities in FY 19, an increase in state sales tax collections of \$20,520,000 is estimated for FY 19.

¹ Assumes 2 MW turbines.