

**BILL SUMMARY**  
2<sup>nd</sup> Session of the 57<sup>th</sup> Legislature

<b>Bill No.:</b>	<b>HB 3553</b>
<b>Version:</b>	<b>INT</b>
<b>Request Number:</b>	<b>10726</b>
<b>Author:</b>	<b>Rep. Boatman</b>
<b>Date:</b>	<b>2/10/2020</b>
<b>Impact:</b>	<b>Tax Commission:</b>
<b>Potential Decrease in Sales and Use Revenue</b>	

**Research Analysis**

Currently, there are three types of address-based assignment databases that may be used by a seller or CSP to determine the correct taxing jurisdiction for levying sales and use tax. While current law gives a seller or CSP discretion over which database to use, HB 3553, as introduced, requires a seller or CSP to use each database in the following order: an address-based assignment database developed by the Oklahoma Tax Commission; a nine-digit zip code database and a five-digit zip code database.

Prepared By: Quyen Do

**Fiscal Analysis**

Analysis provided by the Tax Commission:

HB 3553 amends Section 1354.32 of Title 68, regarding the use of databases that describe boundary changes for taxing jurisdictions in Oklahoma for sales and use tax purposes. Section 1354.32 was enacted in 2003 to remain in compliance with Section 305 of the Streamlined Sales and Use Tax Agreement (SSUTA).

Under current law, for the purpose of assigning taxing jurisdictions and their associated tax rates, a seller or Certified Service Provider (CSP) may use address-based database records. If the seller or CSP is unable to determine the applicable rate and jurisdiction using an address-based database record after exercising due diligence, the seller or CSP may apply the nine-digit zip code designation applicable to a purchase. If a nine-digit zip code designation is not available for a street address or if a seller or CSP is unable to determine the nine-digit zip code designation applicable to a purchase after exercising due diligence to determine the designation, the seller or CSP may apply the rate for the five-digit zip code area.

This measure requires a seller or CSP to use address-based database records first, and if the seller or CSP is unable to determine the applicable rate and jurisdiction using an address-based database record after exercising due diligence, the seller or CSP shall apply the nine-digit zip code designation applicable to a purchase. If a nine-digit zip code designation is not available for a street address or if a seller or CSP is unable to determine the nine-digit zip code designation applicable to a purchase after exercising due diligence to determine the designation, the seller or CSP shall apply the rate for the five-digit zip code area.

Currently, Oklahoma is a member of, and in full compliance with the Streamlined Sales and Use Tax Agreement (SSUTA). A condition of membership in the SSUTA is that a state's statutes, regulations, rules, and policies must comply with each of the provisions of the SSUTA. This measure amends a provision which is also in the SSUTA (Section 305), changing a provision from permissive to mandatory. Pursuant to Oklahoma's membership in the SSUTA vendors collected and remitted to Oklahoma \$46,015,611.44 in state sales and use tax, \$5,512,804.58 in county tax and \$30,835,549.60 for municipalities in 2019. If the proposals in HB 3553 are enacted, Oklahoma could fall out of compliance with the SSUTA and face expulsion therefrom and the annual sales and use tax revenues of the state and cities and counties levying a sales/use tax would decrease in an amount in excess of \$82 million.<sup>1</sup>

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<sup>1</sup> The Tax Commission has reached out to Craig Johnson, Executive Director of the Streamlined Sales Tax Governing Board Inc., requesting an opinion as to whether this proposal could result in Oklahoma being deemed out of compliance with the Streamlined Sales and Use Tax Agreement.

Prepared By: Mark Tygret

### **Other Considerations**

None.