

Fiscal Impact
1st Session of the 57th Legislature

Bill No.:
Version:
Author:
Date:

HB 2303
ENGR
Sen. Bullard
04/16/2019

OKLAHOMA TAX COMMISSION

REVENUE IMPACT STATEMENT AND/OR ADMINISTRATIVE IMPACT STATEMENT
FIRST REGULAR SESSION, FIFTY-SEVENTH OKLAHOMA LEGISLATURE

DATE OF IMPACT STATEMENT: March 12, 2019

BILL NUMBER: HB 2303 **STATUS AND DATE OF BILL:** Engrossed 03/11/2018

AUTHORS: House Tadlock et al. Senate Bullard

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

PROPOSAL: Amendatory

The measure proposes to amend Section 1357 of Title 68 by providing a sales and use tax exemption for sales of commercial forestry service equipment, limited to forwarders, fellers, bunchers, track skidders, wheeled skidders, hydraulic excavators, delimbers, soil compactors and skid steer loaders, to businesses engaged in logging, timber and tree farming

EFFECTIVE DATE: January 1, 2020

REVENUE IMPACT:

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

FY 20: \$488,000 decrease in state sales tax revenues.
FY 21: \$1,199,000 decrease in state sales tax revenues.

Mar. 13, 2019
DATE

Rick Miller
DIVISION DIRECTOR

msm

3-13-2019
DATE

Huan Gong
HUAN GONG, ECONOMIST

3-18-19
DATE

[Signature]
FOR THE COMMISSION

The estimated revenue impact provided herein is an estimate of the potential impact on the collection or apportionment of tax revenues affected by the proposed legislation. It is not intended to be an estimate of the overall fiscal impact on the state budget if the proposed legislation is enacted.

ATTACHMENT TO REVENUE IMPACT – HB 2303 [Engrossed] Prepared 03/12/2019

The measure proposes to amend Section 1357 of Title 68 by providing a sales and use tax exemption for sales of commercial forestry service equipment, limited to forwarders, fellers, bunchers, track skidders, wheeled skidders, hydraulic excavators, delimbers, soil compactors and skid steer loaders, to businesses engaged in logging, timber and tree farming.

Based upon industry information, there are roughly 150 contractors that do logging in the SE region of the state and there are two vendors in this region that sell approximately 40 new pieces of exempt equipment per year that is subject to Oklahoma sales tax at an average price of \$200,000 per unit. In addition, according to industry sources, approximately 90 new pieces of equipment are purchased from an out-of-state vendor by Oklahoma customers, which are subject to Oklahoma use tax at the same price range.

Multiplying 130 units by \$200,000, results in \$26,000,000 in estimated taxable sales. Application of the state tax rate of 4.5% yields a decrease in state sales and use tax collections of \$1,170,000. The measure proposes an effective date of January 1, 2020. Application of inflation rate adjustments of 2.5%, results in estimated reductions in state sales and use taxes of \$487,500 and \$1,199,250 for FY 20 and FY 21, respectively.

Research indicates that at least one major vendor rents the described equipment in the southeast part of the state. While the transactions would also be exempted by this proposal increasing the estimated reduction in state sales tax collections, the extent to which this will occur cannot be determined as these transactions are not captured or specifically identified in the OTC remittance records.