

Fiscal Impact
2nd Session of the 57th Legislature

Bill No.:
Version:
Author:
Date:

SB 1243
INT
Sen. Coleman
02/06/2020

OKLAHOMA TAX COMMISSION

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

DATE OF IMPACT STATEMENT: January 23, 2020

BILL NUMBER: SB 1243 **STATUS AND DATE OF BILL:** Introduced 1/9/2020

AUTHORS: House n/a Senate Coleman

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

PROPOSAL:

The measure would exempt the portion of gross receipts or gross proceeds derived from the sale of automobile parts which constitutes core charges received for the purpose of securing a trade-in for the article purchased; provided, the exemption shall only apply to an article traded-in. The exemption is to be administered as a refund by the customer no later than one (1) year from the date the article is traded in.

EFFECTIVE DATE: November 1, 2020

REVENUE IMPACT:

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

FY 21: \$2,878,000 decrease in state sales tax revenues

FY 22: \$5,053,000 decrease in state sales tax revenues

ADMINISTRATIVE IMPACT:

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

FY 21: Unknown increase in OTC administrative costs

<u>Jan. 23, 2020</u> DATE	<u><i>Rick Miller</i></u> DIVISION DIRECTOR	<u>msm</u>
<u>1/27/2020</u> DATE	<u><i>Huan Gong</i></u> HUAN GONG, ECONOMIST	
<u>1/29/2020</u> DATE	<u><i>[Signature]</i></u> FOR THE COMMISSION	

The 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 –SB 1243 - [Introduced] Prepared 01/23/2020

The measure would exempt the portion of gross receipts or gross proceeds derived from the sale of automobile parts which constitutes core charges received for the purpose of securing a trade-in for the article purchased; provided, the exemption shall only apply to an article traded in. The exemption is to be administered as a refund claimed by the customer no later than one (1) year from the date the article is traded in.

Tax Commission records indicate that approximately 4,085,651 non-commercial automobiles are tagged and currently in use in the state of Oklahoma. Of these vehicles approximately 817,426 are between 1-4 years of age, 855,068 are between 5-8 years of age, 647,236 are between 9-12 years of age, 684,622 are between 13-16 years of age, and 1,081,299 are 17 years of age and older.

Review of a major auto part distributor's website indicates that the most common automobile parts with associated core charges are batteries, alternators, starters, air conditioning compressors, engine water pumps, brake boosters, brake cylinders, engine heads, and engine blocks. The average core charges were developed through research of the distributor's information utilizing the Ford F-150 pick-up as the model vehicle.

For purposes of this impact the following assumptions are made regarding the percentage of automobiles currently in use in Oklahoma requiring these parts and the average associated core charges.

- 5% or 40,871 cars between the ages of 1-4 years will require a car battery with an average core charge of \$16.00.
- 85% or 726,808 cars between the ages of 5-8 years will require a battery and a varying combination of parts which include starters, alternators, A/C compressors, engine water pumps with an average core charge of \$33.11.
- 45% or 291,256 cars between 9-12 years of age will require a varying combination of car parts which include batteries, starters, alternators, A/C compressors, engine water pumps and brake boosters with an average core charge of \$53.84.
- 33% or 225,925 cars between the ages of 13-16 years of age will require a varying combinations of parts i.e., batteries, starters, alternators, A/C compressors, engine water pumps and brake boosters that have an average core charge of \$141.67.
- 33% or 356,829 cars over the age of 17 years old will require a varying combination of the above-referenced parts in addition to engine blocks, engine heads and brake cylinders with an average core charge of \$112.97.

Multiplying the number of cars in the referenced categories by their associated average core charges results in estimated taxable gross receipts of \$112,717,539. A 5% gross receipts reduction for the subject parts which are not traded in results in estimated taxable gross receipts of \$107,081,662. Application of the state sales tax rate of 4.5% results in an estimated \$4,818,675 in state sales tax attributable to core charges on automobile parts. Calculated with an effective date of November 1, 2020 and a 2.4% rate of inflation results in an estimated decrease of \$2,878,355 in state sales taxes for FY 21 and an estimated decrease of \$5,052,747 in FY 22.

Administrative Cost.

Increased administrative costs to obtain additional staffing and equipment to verify documentation and process the increased number of refund claims are anticipated.