

Fiscal Impact
2nd Session of the 57th Legislature

Bill No.:
Version:
Author:
Date:

SB 1619
INT
Sen. Jech
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 1619 **STATUS AND DATE OF BILL:** Introduced 1/16/2020

AUTHORS: House n/a Senate Jech

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

PROPOSAL: Amendatory

The measure proposes to amend Section 1355 of Title 68 to modify the tax base for purposes of imposition of sales tax on motor vehicle sales by providing that the [1.25%] tax is to be calculated on the gross receipts less the amount of credit for any trade-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: \$11,074,000 estimated decrease in state sales tax revenues
FY 22: \$16,611,000 estimated decrease in state sales tax revenues

Jan. 23, 2020
DATE

Rick Miller
DIVISION DIRECTOR

msm

1/23/2020
DATE

Huan Gong
HUAN GONG, ECONOMIST

1/24/2020
DATE

[Signature]
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 1619 - [Introduced] Prepared 01/23/2020

The measure proposes to amend Section 1355 of Title 68 to modify the tax base for purposes of imposition of sales tax on motor vehicle sales by providing that the [1.25%] tax is to be calculated on the gross receipts less the amount of credit for any trade-in.

Research by R.L. Polk indicates that 6 years is the average length of time drivers keep a new vehicle.¹ Over a six year period studies show that a new car generally loses approximately 60% of its original value.² Oklahoma Tax Commission records indicate that new motor vehicle dealers sold 127,491 new cars with an average purchase price of \$36,283 in FY 19. Application of a 60% value reduction to the average purchase price of \$36,283 equates to an average value of a six year old vehicle of \$14,513. Research demonstrates that generally the trade-in value of a vehicle is reduced about \$2,250 by the dealer yielding an average trade-in vehicle allowance of \$12,263.³ For purposes of this impact, it is estimated that 85% or 108,367 of new motor vehicle sales for FY 19 had a single trade-in vehicle associated with the transaction. Assuming an average trade-in allowance for those vehicles of \$12,263 equates to a decrease of \$16,611,307 in associated state sales tax. $[108,367 \times \$12,263 = \$1,328,904,521 \times 1.25\% = \$16,611,307]$. The proposal provides for a November 1, 2020 effective date and assuming similar vehicle transactions in FY 21 and FY 22 as occurred in FY 19 an estimated decrease in motor vehicle sales tax revenues of \$11,074,000 is projected for FY 21 $[\$16,611,307 / 12 \times 8 \text{ months} = \$11,074,205]$ in addition to an estimated decrease of \$16,611,000 in state sales tax revenues for FY 22.

¹ *Buying a Car: How Long Can You Expect a Car to Last?*, Autotrader.

² *Depreciation Infographic: How Fast Does My New Car Lose Value?* Edmunds.

³ *How Much Do You Lose From a Dealer Trade-In?* Instamotor.