

BILL SUMMARY
2nd Session of the 58th Legislature

Bill No.:	HB 1014XXX
Version:	INT
Request Number:	70031
Author:	Mr. Speaker
Date:	6/15/2022
Impact:	Tax Commission:

Sales Tax Revenue Decrease:

FY-23: (\$287,182,749)

Administrative Costs: \$62,500

Research Analysis

HB1014XXX, as introduced, eliminates the state sales tax on the retail sale of food and food ingredients beginning July 1, 2022. Currently, the state sales tax rate is 4.5 percent.

Any sales or excise tax levied by a local government on the sale of food and food ingredients will be unaffected by the bill. The measure also directs the Oklahoma Tax Commission to promulgate rules to implement the act in accordance with the Streamline Sales and Use Tax Agreement.

Prepared By: Quyen Do

Fiscal Analysis

From the Tax Commission:

The measure proposes to enact 68 O.S. § 1357.11 which provides that on or after July 1, 2022 until June 30, 2024, an excise tax of 0% is imposed upon all retail sales of *food and food ingredients*. It also provides that any sales tax or excise tax levied by a local taxing jurisdiction on sales of food and food ingredients shall be in effect regardless of ordinance or contractual provisions referring to previously imposed state sales tax on the items. Further, it defines terms such as *food and food ingredients*¹, *candy*², *alcoholic beverages*³, *dietary supplements*⁴, *prepared food*⁵, *soft drinks*⁶ and *tobacco*⁷.

The following revenue estimate assumes that the intent of the measure is to reduce the current state sales tax rate of 4.5% imposed on food and food ingredients to 0% beginning July 1, 2022.

The U.S. Census Bureau reports 1,480,061 households in Oklahoma with an average household consisting of 2.58 persons. Based on U.S. Bureau of Labor Statistics the amount of estimated monthly food expenditures for home consumption per household was \$412 for FY 20. The inflation rate for home consumption food increased 0.9% for FY 21 resulting in an estimated \$416 in monthly food expenditures. Multiplying the average food expenditure by 1,480,061 households, results in \$615,705,376 in monthly expenditures for food. Multiplying \$615,705,376 by 12 (months), yields a yearly average expenditure for home food consumption in the amount of \$7,388,464,512. An adjustment for FY 21 food stamp and WIC sales which are currently exempt, in the combined amount of \$1,390,495,640 results in a total at home food expenditure amount of \$5,997,968,872 for FY 22. Application of the current 4.5% state sales tax rate results in an estimated \$269,908,599 in state sales tax revenues. Application of an inflation rate adjustment of 6.4% will result in estimated decrease of \$287,182,749 in state sales tax revenues for FY 23.

Prepared By: Mark Tygret

Other Considerations

The measure will result in an increase of \$62,500 in administrative costs and require a minimum of two months to implement. Consequently, the July 1, 2022 effective date does not afford vendors or the Tax Commission sufficient time in which to implement the proposed changes outlined in the measure.