BILL SUMMARY
2nd Session of the 58th Legislature

Bill No.:	**HB1636**
Version:	**CS**
Request Number:	**10997**
Author:	**Rep. Phillips**
Date:	**3/7/2022**
Impact:	**Negative fiscal impact anticipated**

Research Analysis

Pending

Prepared By: House Research Staff

Fiscal Analysis

Upon review and with consultation with the Oklahoma Tax Commission, it is estimated that HB 1636 would result in a "significant" unknown decrease in mixed beverage tax and sales tax revenues for FY23 and FY24.

Based on data for the last 24 months, the Audit Division of the OTC issued 77 assessments for additional mixed beverage taxes, interest, and penalties totaling $1,087,453. In addition, sales tax audits generally accompany mixed beverage tax audits since mixed drinks are subject to both the 13.5% gross receipts tax (aka mixed beverage tax) and state and local sales taxes. For the same 24-month period, OTC records indicate that 79 assessments were issued totaling $1,157,984 in state and local taxes, interest, and penalties related to sales. Total payments attributable to the referenced assessments are currently being compiled by the Commission.

For FY21 and the first seven months of FY22, the mixed beverage tax revenues totaled $72,883,445 and $55,530,346, respectively. The amounts of state sales tax attributable to these revenues for FY21 and the first seven months of FY22 totaled $24,294,482 and $18,450,115, respectively. The Commission anticipates that repealing its authority to audit mixed beverage licensees will not only result in similar revenue losses in the assessed amounts outlined in the paragraph above, but it would also negatively impact current tax compliance yielding an unknown decrease in revenue for both mixed beverage tax and sales tax. Based on FY21 collections, for every 1 percent decrease in compliance, there is an estimated decrease of $728,834 in mixed beverage taxes and an additional decrease of $242,944 in state sales taxes.

Prepared By: Nathan Shugart

Other Considerations

None.