

BILL SUMMARY
2nd Session of the 58th Legislature

Bill No.:	HB 2986
Version:	INT
Request Number:	8436
Author:	Rep. Bashore
Date:	2/9/2022
Impact:	Tax Commission:
	Motor Vehicle Revenue Decrease
	FY-23: (\$31,596,000)
	FY-24: (\$47,394,000)

Research Analysis

HB2986, as introduced, modifies the formula for determining motor vehicle excise tax on vehicle purchases. The tax will be levied on the value of the vehicle, which is determined by the actual sales price of the vehicle minus any discounts or trade-in credits. Currently, the tax is levied on the sales price *prior to* any discounts or trade-in credits.

The measure also requires the Oklahoma Tax Commission to file a report with the Governor, Speaker, President Pro Tempore and House and Senate appropriation chairs stating the fiscal impact of the motor vehicle excise tax over the previous three fiscal years and future projections of motor vehicle excise tax collections.

Prepared By: Quyen Do

Fiscal Analysis

Analysis provided by the Tax Commission:

The measure provides that any discounts or credits given for a trade-in are to be deducted from the purchase price of a vehicle for purposes of calculating the 3.25% motor vehicle excise tax. Prior to the subtraction of discounts or credits for a trade-in, the vehicle's sales price must be within 20% of the average retail price of the vehicle as list in the automotive reference material prescribed by the Tax Commission. The measure also requires the Oklahoma Tax Commission to file a report on or before November 1, 2025, with the Governor, the Speaker of the House of Representatives, the President Pro Tempore of the Senate, the Chair of the Appropriations which provides the fiscal impact of the motor vehicle excise tax over the previous three fiscal years, future projections of the motor vehicle excise tax, and any other information important to the implementation and fiscal impact of motor vehicle excise tax.

Research by R.L. Polk indicates that six years is the average length of time drivers keep a new vehicle. Over a six year period studies show that a new car generally loses approximately 60% of its original value. Oklahoma Tax Commission records indicate that new motor vehicle dealers sold 125,091 new cars with an average purchase price of \$39,914 in FY 21. Application of a 60% value reduction to the average purchase price of \$39,914 equates to the average value of a six year old vehicle of \$15,965. 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 \$13,715. For purposes of this impact, it is estimated that 85% or 106,327 of new motor vehicle sales for FY 21 had a single trade-in vehicle associated with the transaction. Assuming an average trade-in allowance for those vehicles of \$13,715 equates to an estimated decrease of \$47,393,931 in associated motor vehicle excise tax. $[106,327 \times \$13,715 = \$1,458,274,805 \times 3.25\% = \$47,393,931]$. The proposal provides for a November 1, 2022 effective date and assuming similar vehicle transactions in FY 23 and FY 24 as occurred in FY 21, an estimated decrease of \$31,595,954 in motor vehicle excise tax collections is projected for FY 23 $[\$47,393,931 / 12 \times 8 \text{ months} = \$31,595,954]$, in addition to an estimated decrease of \$47,393,931 in motor vehicle excise tax revenues for FY 24.

Prepared By: Mark Tygret

Other Considerations

None.