

**BILL SUMMARY**  
2<sup>nd</sup> Session of the 58<sup>th</sup> Legislature

<b>Bill No.:</b>	<b>HB 3637</b>
<b>Version:</b>	<b>SUBPCS1</b>
<b>Request Number:</b>	<b>10359</b>
<b>Author:</b>	<b>Rep. Dempsey</b>
<b>Date:</b>	<b>2/21/2022</b>
<b>Impact:</b>	<b>Tax Commission</b>

**Revenue Decrease:**

**State Sales Tax**  
**Timber Production: Unknown**  
**Game Animals:**  
**FY-23: (\$82,064)**  
**FY-24: (\$143,917)**

**Research Analysis**

The subcommittee substitute for HB3637 expands definitions uses to administered the agriculture sales tax exemption and the agriculture exemption permit. The definition of *agricultural products* is expanded to include timber. *Farming* and *farm* is defined to include the production of timber, seeding production and forestry management. *Livestock* is defined to include the breed of games animals.

Prepared By: Quyen Do

**Fiscal Analysis**

Analysis provided by the Tax Commission:

As of January 1, 2022, sales of commercial forestry service equipment, limited to forwarders, fellers, bunchers, track skidders, wheeled skidders, hydraulic excavators, delimbers, soil compactors and skid steer loaders, to businesses engaged in logging, timber and tree farming were made exempt pursuant to the passage of HB 1588. Therefore, a large portion of heavy equipment associated with the timber industry is already exempt from sales tax. However, the amount of land that is currently being used for timber production, seedling production, and forestry management is unknown as are the number of new agricultural permit holders that are to be exempted by this measure. Consequently an unknown decrease in state sales tax revenues is estimated for FY 23 and FY 24.

Based upon information previously received from industry sources, there are an estimated 50 establishments in Oklahoma dedicated solely to the commercial production of deer. Each of these groups on average sell 12 deer per year at an average cost of \$3,500 per deer which results in annual sales of 600 deer with a combined sales price of \$2,100,000. Application of the state sales tax rate results in an estimated decrease of \$94,500 in state sales tax revenues for FY 22.

Industry sources also indicate that the average annual expenditures per farm is \$19,000. Multiplying 50 new farms by the average expenditures per farm, results in total estimated taxable expenditures of \$950,000. Application of the state sales tax rate equals an estimated decrease in state sales tax revenues of \$42,750 for FY 22.

The measure provides for an effective date of November 1, 2022. Application of inflation rate adjustment<sup>1</sup> of 2.5% for FY 23 and 2.3% for FY 24 results in an estimated decrease of \$82,064 in states sales tax revenues for FY 23 and an estimated decrease of \$143,917 in state sales tax revenues for FY 24.

Prepared By: Mark Tygret

**Other Considerations**

None.

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