

BILL SUMMARY
2nd Session of the 58th Legislature

Bill No.:	SB 1486
Version:	ENGR
Request Number:	NA
Author:	Rep. Newton
Date:	4/4/2022
Impact:	Tax Commission:

Motor Vehicle Excise Tax Revenue Decrease:
FY-23 (\$12,152,000)
FY-24: (\$18,228,000)

Research Analysis

SB 1486 provides that if a sale of a motor vehicle includes a trade-in, gross receipts are to be calculated based on the difference between the value of the trade-in vehicle and the actual sales price of the purchased vehicle.

Prepared By: Emily McPherson

Fiscal Analysis

Analysis provided by the Tax Commission:

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 \$18,228,435 in associated motor vehicle sales tax. $[106,327 \times \$13,715 = \$1,458,274,805 \times 1.25\% = \$18,228,435]$. 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 \$12,152,290 in motor vehicle sales tax collections is projected for FY 23 $[\$18,228,435 / 12 \times 8 \text{ months} = \$12,152,290]$ in addition to an estimated decrease of \$ 18,228,435 in motor vehicle sales tax revenues for FY 24.

Prepared By: Mark Tygret

Other Considerations

None.

