

**BILL SUMMARY**  
1<sup>st</sup> Session of the 58<sup>th</sup> Legislature

<b>Bill No.:</b>	<b>SB 213</b>
<b>Version:</b>	<b>ENGR</b>
<b>Request Number:</b>	<b>NA</b>
<b>Author:</b>	<b>Rep. Dempsey</b>
<b>Date:</b>	<b>3/18/2021</b>
<b>Impact:</b>	<b>Tax Commission:</b>

**Sales Tax Revenue Decrease:**  
**FY-22: (\$505,000)**  
**FY-23: (\$1,227,000)**

**Research Analysis**

SB 213 provides for a sales tax exemption, effective tax years 2022 through 2027, for sales of certain commercial forestry service equipment to businesses engaged in logging, timber and tree farming. The qualifying equipment is limited to forwarders, feller bunchers, track skidders, wheeled skidders, hydraulic excavators, delimbers, soil compactors and skid steer loaders.

Prepared By: Emily McPherson

**Fiscal Analysis**

From the Tax Commission:

Sales tax collections are reported and remitted on a monthly basis. Consequently, the measure's effective date of November 1, 2021 and the proposed amendatory language which makes the proposed exemption applicable for tax years 2022 through 2027 is unclear. However, for purposes of this impact, an operative period for application of the exemption will be assumed as January 1, 2022 through December 31, 2027.

Based upon FY 19 industry information, approximately 150 contractors engage in logging operations in the southeast region of the state. Two vendors in this region annually sell about 40 new pieces of commercial forestry service equipment and approximately 90 new pieces of equipment are purchased out-of-state and subsequently brought into Oklahoma for use in logging and other commercial forestry activities. In accordance with equipment dealer and other industry information, an average purchase price of \$200,000 per unit is assumed for purposes of this impact.

Multiplying 130 units by an average price of \$200,000 each, results in an estimated \$26,000,000 in taxable sales. Application of the state tax rate of 4.5% yields a decrease in state sales and use tax collections of \$1,170,000. The measure proposes an effective date of January 1, 2022. Application of inflation rate adjustments<sup>1</sup> yields reductions in state sales and use tax of \$505,261 and \$1,227,179 for FY 22 and FY 23, respectively.

Records also indicate the presence of at least one major vendor that rents this type of equipment in the southeast portion of the state. However, taxable sales attributable from the rental of such equipment cannot be quantified and would therefore result in an additional unknown decrease in state sales tax revenues.

<sup>1</sup> Latest version of the Consumer Price Index-All Urban Consumers [1.7% for FY 19 and 1.2% for FY 20 through FY 23].

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**Other Considerations**

None.

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