



OKLAHOMA Tax Commission

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This is in response to your request for a revenue impact memorandum for the Proposed Committee Substitute ("PCS") for HB 1990 which proposes to amend 62 O.S. § 193 adding claims that can be paid from the Ad Valorem Reimbursement Fund ("AVRF").

Currently, the monies apportioned to the AVRF shall be expended to reimburse counties for the loss of revenue for (1) the 5 year manufacturing program, (2) the additional homestead exemption, and (3) agricultural buffer strips. The PCS for HB 1990 proposes to add reimbursements to eligible counties for loss of revenue associated with ad valorem exemptions afforded 100% disabled veterans, their spouses and surviving spouses of veterans killed in the line of duty. The PCS for HB 1990 states that a county is qualified for reimbursement of claims related to these veteran exemptions for the most recently concluded calendar year if the number of exemptions granted exceeds 0.8% of the county population according to the federal Decennial Census or most recent annual population estimate, whichever is most recent. Additionally, this new reimbursement category shall amount to 25% of the loss of revenue claimed by the qualified county. The PCS for HB 1990 also proposes that claims related to these veteran exemptions shall be filed separately.

Based on the exemptions granted for the current tax year, applicable property values and millage rates, additional reimbursement amounts for ad valorem exemptions afforded 100% disabled veterans, their spouses and surviving spouses of veterans killed in the line of duty are estimated to be \$22,630,000. The 25% cap on the loss of revenue claimed by qualifying counties will be approximately \$5,658,000 based on this estimate. When the AVRF is insufficient to pay all county claims relating to the above-referenced exemptions, the claims connected with the 5 year manufacturing program must be paid first. Remaining funds, if any, are distributed proportionally among the counties making reimbursement claims due to additional homestead exemptions granted.

There is an increase of \$5,658,000 in claims to the Ad Valorem Reimbursement Fund associated with this measure. There are no anticipated increases in administrative costs to the Oklahoma Tax Commission associated with this measure. However, there are administrative concerns regarding the audit and verification of the reimbursement of tax revenues attributable to an exemption granted at the local level.

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