



MEMO

Tax Policy Division

To: Rick Miller, Director *RAM* *RM*
From: Brenda J. Sullivan - Tax Policy Analyst
Date: 02/28/2022
Re: Proposed Committee Substitute for SB1485

The Proposed Committee Substitute for SB 1485 proposes amendment to 47 O.S. § 1105 by exempting an establishment engaged in vehicle rentals as defined or classified in the NAICS Manual under Industry No. 532111,¹ from the inspection² required in subsection L of Section 1105. It provides that the establishment shall be required to submit payment of any fees required in the referenced subsection when the title is issued. It additionally provides that \$2.00 of the \$4.00³ inspection fee collected shall be apportioned equally between the motor license agents located within the county in which the vehicle is located when the certificate of title is issued. The measure proposes an effective date of November 1, 2022.

REVENUE IMPACT

There is no estimated revenue impact associated with this measure.

ADMINISTRATIVE IMPACT

OTC administrative costs related to the necessary programming to modify motor vehicle registration system to exempt rental vehicles from vehicle inspections in addition to providing equal apportionment of the \$2.00 MLA retention fee as prescribed in the proposal⁴ will require three months and one-half months of development at \$90,000. Two additional full-time employees at an annual cost of \$126,000 to perform title research/corrections, auditing and apportionment functions will also be required. The total administrative impact is approximately \$216,000.

ADMINISTRATIVE CONCERNS

The language of the proposed committee substitute creates multiple possible "locations" for a vehicle based on when title is issued. Revising this evaluation to where the vehicle is at the time of registration (assuming the county of the MLA that completes the registration) would help reduce development time and costs. Waiving the Vehicle Identification Number ("VIN") inspection reduces the checks and balances on the titling process and may make the Oklahoma titling process more subject to fraud.

¹ NAICS Code 532111 Description-Passenger Car Rental. This U. S. industry comprises establishments primarily engaged in renting passenger cars without drivers, generally for short periods of time.

² The inspection shall include a comparison of the vehicle identification number on the vehicle with the number recorded on the ownership records and the recording of the actual odometer reading on the vehicle.

³ The remaining \$2.00 shall be deposited in the Oklahoma Tax Commission Reimbursement Fund.

⁴ There could be at least 30 or more MLA's in a county such as Oklahoma or Tulsa counties.

