

OKLAHOMA TAX COMMISSION

REVENUE IMPACT STATEMENT AND/OR ADMINISTRATIVE IMPACT STATEMENT SECOND REGULAR SESSION, FIFTY-EIGHTH OKLAHOMA LEGISLATURE

DATE OF IMPACT STATEMENT: March 31, 2022

BILL NUMBER: SB 1486 STATUS AND DATE OF BILL: Engrossed 03/21/2022

AUTHORS: House Newton Senate Jech & David

TAX TYPE (S): Motor Vehicle Sales Tax SUBJECT: Exemption

PROPOSAL: Amendatory 68 O.S. §§ 1355 and 1404

The measure provides that any discounts or credits given for a trade-in are to be deducted from the purchase price of a vehicle for purposes of calculating the 1.25% motor vehicle sales tax.

EFFECTIVE DATE: November 1, 2022

REVENUE IMPACT:

Insert dollar amount (plus or minus) of the expected change in state revenues due to this proposed legislation.

FY 23: \$12,152,000 decrease in motor vehicle excise tax revenues

FY 24: \$18,228,000 decrease in motor vehicle excise tax revenues

Apr. 1, 2022
DATE

Rick Miller
DIVISION DIRECTOR

msm

4/1/2022
DATE

Huan Gong
HUAN GONG, ECONOMIST

4/1/2022
DATE

Joseph P. Ayza
FOR THE COMMISSION

The revenue impact provided herein is an estimate of the potential impact on the collection or apportionment of tax revenues affected by the proposed legislation. It is not intended to be an estimate of the overall fiscal impact on the state budget if the proposed legislation is enacted.

ATTACHMENT TO REVENUE IMPACT – SB 1486 [Engrossed] Prepared 03/31/2022

The measure provides that any discounts or credits given for a trade-in are to be deducted from the purchase price of a vehicle for purposes of calculating the 1.25% motor vehicle sales tax.

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.