

MEMO



OKLAHOMA Tax Commission

Tax Policy and Research Division

DATE: FEBRUARY 22, 2022

TO: RICK MILLER, DIRECTOR *RLM*
TAX POLICY & RESEARCH DIVISION

FROM: MARC MORRISON
TAX POLICY ANALYST

SUBJECT: PROPOSED COMMITTEE SUBSTITUTE FOR SB 1605

This is in response to your request for a revenue impact for the Proposed Committee Substitute for SB 1605 which creates Service Oklahoma as a division of the Oklahoma Office of Management and Enterprise Services. It also transfers applicable powers, duties, and responsibilities exercised by the Motor Services Division of the Oklahoma Tax Commission to Service Oklahoma on January 1, 2023. OTC employees currently performing duties of the Motor Services Division will also be transferred to Service Oklahoma. Consistent with the proposed transfer, provisions contained in the Oklahoma Statutes i.e., Used Tire Recycling Act¹, Vehicle License and Registration Act², Vehicle Excise Tax Code³, Vessel and Motor Registration Act⁴ and Vessel and Motor Excise Tax Act⁵ have been amended to reflect new terminology and/or denote Service Oklahoma as the party responsible to undertake and fulfill the transferred authority, duties and responsibilities. Further, under the measure fee amounts retained by the OTC when acting in the capacity as a tag agent along with other statutory amounts allocated to OTC Funds are scheduled to cease December 31, 2022. While certain allocation responsibilities are transferred to Service Oklahoma, the distribution of motor vehicle collections related to registration fees, transfer taxes and penalties apportioned pursuant to 47 O.S. §§ 1104, remain the responsibility of the OTC.⁶

The Motor Vehicle Division⁷ of the Oklahoma Tax Commission is responsible for the collection, apportionment, and reporting of more than \$900,000,000.00 in taxes and fees. Most of these taxes and fees are associated with vehicle registrations and renewals. In addition to the more than 60 employees within the division, the division oversees more than 260 Motor License Agents ("MLAs"), more commonly known as tag agents. The Motor Vehicle Division is currently divided into sections (Administration and Support, Motor License Agent Audit, Processing, Research/NMVTIS/Corrections, Title Consultants, Title 42, and Taxpayer Resource Center.)

During 2021, these sections of the Motor Vehicle Division accomplished the following tasks:

¹ 27A O.S. §§ 2-11-401 et seq.

² 47 O.S. 1101 et seq.

³ 68 O.S. §§ 2101 et seq.

⁴ 63 O.S. §§ 4001 et seq.

⁵ 63 O.S. §§ 4101 et seq.

⁶ Also, in addition to other revenue sources, the OTC will continue to apportion certain special license plate fees to designated colleges and universities and the Environmental Education Revolving Fund. 47 O.S. §§ 1104.1 & 1104.2.

⁷ Referred to in the measure as the Motor Services Division.

- MV Audit completed 286 audits, resulting in each MLA being audited at least once in addition to finalizing numerous basic audits (review of semi-monthly reports to determine if a higher level audit is needed).
- MV Processing Team renewed more than 23,000 dealer plates; issued more than 15,000 special plates; processed more than 2,500 mailed-in boat and motor renewals; and renewed more than 60,000 mailed-in vehicle renewals.
- MV Research and Corrections Team cleared a backlog of lien releases and is currently processing lien releases within 2 weeks; processed more than 20,000 lien releases per month; cancelled more than 800 titles per month; fielded more than 150 inquiries from law enforcement (FBI, SS, OSBI); and corrected more than 2,500 records per month.
- MV Title Consultants Team processed and provided instructions for more than 4,500 court orders; processed more than 27,000 lien releases; manually processed more than 9,000 NCIC checks; processed more than 11,000 titles and corrected and cancelled more than 1,400 titles.
- MV Title 42 team of 3-5 people processed more than 20,000 annually in addition to a large number of applications that are submitted multiple times due to error.
- Taxpayer Resource Center Team assisted more than 4,500 walk-in customers and assisted with Title Consultant work outlined above.

ADMINISTRATIVE IMPACT

The FY 22 budget for the Motor Vehicle Division, including 72 full time employees, totals \$8,715,758. For CY 2021, tag agent fees retained by the OTC in addition to other statutory allocations totaled \$4,385,346. Assuming a similar budget amount and OTC fees collections for the applicable period result in a net saving to the OTC of \$4,330,412.

POTENTIAL ADMINISTRATIVE CONCERNS

No timeline is given for monthly transfer of collections to facilitate timely reconciliation and apportionment of revenues.

The measure does not appear to designate the agency/division responsible for motor vehicle and vessel/motor printing and mailing services.

