

# OKLAHOMA TAX COMMISSION

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

**DATE OF IMPACT STATEMENT:** February 12, 2021

**BILL NUMBER:** SB 213 **STATUS AND DATE OF BILL:** Introduced 12/30/2020

**AUTHORS:** House n/a Senate Burns

**TAX TYPE (S):** Sales Tax **SUBJECT:** Exemption

**PROPOSAL:** Amendatory

The measure proposes to amend Section 1357 of Title 68 by providing a sales tax exemption for sales of commercial forestry service equipment, including, but not limited to, forwarders, fellers, bunchers, track skidders, wheeled skidders, hydraulic excavators, delimbers, soil compactors and skid steer loaders, to businesses engaged in logging, timber and tree farming.

**EFFECTIVE DATE:** November 1, 2021

### REVENUE IMPACT:

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

FY 22: \$514,000 decrease in state sales tax revenues.

FY 23: \$1,248,000 decrease in state sales tax revenues.

Feb. 12, 2021  
DATE

Rick Miller  
DIVISION DIRECTOR

msm

2/12/2021  
DATE

Huan Gong  
HUAN GONG, ECONOMIST

2/13/21  
DATE

Jay Doyle  
FOR THE COMMISSION

*The estimated 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 213 - [Introduced] Prepared 02/11/2021**

The measure would provide a sales and use tax exemption for tax years 2022 through 2027 for sales of commercial forestry service equipment, limited to forwarders, fellers, bunchers, track skidders, wheeled skidders, hydraulic excavators, delimbers, soil compactors and skid steer loaders, to businesses engaged in logging, timber and tree farming.

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 18 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 \$513,850 and \$1,248,041 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.

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<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].