

OKLAHOMA TAX COMMISSION

REVENUE IMPACT STATEMENT FIRST REGULAR SESSION, FIFTY-EIGHTH OKLAHOMA LEGISLATURE

DATE OF IMPACT STATEMENT: February 1, 2021

BILL NUMBER: SB 410 **STATUS AND DATE OF BILL:** Introduced 01/14/2021

AUTHORS: House n/a Senate Bergstrom

TAX TYPE (S): Sales and Use Tax **SUBJECT:** Tax Incentive

PROPOSAL: Amendatory

The measure proposes amendment to Sections 54004 and 54005 of Title 68 by requiring that any sales/use tax refund claims associated with the sales/use tax exemption authorized pursuant to Section 54003 of Title 68 for sales of computers, data processing equipment, related peripherals, telegraph or telecommunications services, and equipment to new and expanding businesses classified under designated industrial group numbers of the Standard Industrial Classification ("SIC") manual and which meet other requirements set forth in the Act, be submitted to the Oklahoma Tax Commission by July 1, 2022.

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: None

FY 23: None

Feb. 2, 2021

DATE

Rick Miller

DIVISION DIRECTOR

msm

2/2/2021

DATE

Huan Gong

HUAN GONG, ECONOMIST

2/2/21

DATE

J.D.

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.

The measure requires any claims for refunds of sales or use tax associated the “Oklahoma Research and Development Incentives Act” that provides a sales/use tax exemption for sales of computers, data processing equipment, related peripherals, telegraph or telecommunications services, and equipment to new and expanding businesses classified under SIC Manual Industrial Group Nos. 7372, 7373, 7374 and 7375 (Computer services and data processing) and 8731, 8732, 8733 and 8734 (Research and Development) and which meet certain new employment, salary, sales and purchase criteria. This sales/use tax exemption is perfected through the claim for refund process¹ and the measure requires that all refunds associated with this act be submitted to the Oklahoma Tax Commission by July1, 2022.²

Public Financial Management Inc. as part of the review process conducted by the Incentive Evaluation Commission recommended repeal of the exemption provided in Section 54003 of Title 68 for the reason that it is “unnecessary due to the availability of more generous and easier to use incentives.”³ The Incentive Evaluation Commission at its November 14, 2019 meeting voted to approve the recommendation that this exemption should be repealed.

The records of the Oklahoma Tax Commission indicate that this exemption has not been utilized in several years. Therefore, no impact to state revenues is expected to occur as a result of this proposal.

¹ Sales Tax refund claims are governed by 68 O.S. § 54004 while use tax refund claims are governed by 68 O.S. § 54005.

² A similar exemption, perfected at the point of sale, is provided in Section 1357(21) of Title 68 which exempts sales of machinery and equipment purchased and used by persons and establishments primarily engaged in computer services and data processing:

A. As defined under Industrial Group Numbers 7372 and 7373 of the Standard Industrial Classification (SIC) Manual, latest version, which derive at least fifty percent (50%) of their annual gross revenues from the sale of a product or service to an out-of-state buyer or consumer; and

B. As defined under Industrial Group Number 7374 of the SIC Manual, latest version, which derive at least eighty percent (80%) of their annual gross revenues from the sale of a product or service to an out-of-state buyer or consumer.

³ State of Oklahoma Incentive Evaluation Commission, *Tax Incentive Evaluation Report 2019*.