

# OKLAHOMA TAX COMMISSION

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

**DATE OF IMPACT STATEMENT:** February 14, 2021

**BILL NUMBER:** SB 656 **STATUS AND DATE OF BILL:** Introduced 01/21/2021

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

**TAX TYPE (S):** Sales & Use Tax **SUBJECT:** Tax Levy

### PROPOSAL:

The measure proposes a definition of public highway electric vehicles, provides for the taxation thereof and for the apportionment of the resulting tax revenues. [See attached for detailed description]

**EFFECTIVE DATE:** July 1, 2021-Emergency

### REVENUE IMPACT:

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

FY 22: \$2,160,000 increase in state sales tax revenues [See Attached]

### ADMINISTRATIVE IMPACT:

Insert the estimated cost or savings to the Tax Commission due to this proposed legislation.

FY 22: An annual increase in OTC administrative costs of \$10,000

February 15, 2021

DATE

*Rick Miller*

DIVISION DIRECTOR

msm

2/15/2021

DATE

*Huan Gong*

HUAN GONG, ECONOMIST

2/16/21

DATE

*Jay Doyle*

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 656 [Introduced] Prepared 02/14/21

Section 1 sets a cap of \$1,500 on the 4.5% sales tax levied on public electric highway vehicles.

Section 2 proposes amendment to sales tax apportionment in Section 1353 of Title 68 by requiring for the fiscal year beginning July 1, 2021 and each year thereafter, that the sales tax revenues attributable to “public highway electric vehicles” are to be apportioned with 60% placed to the credit of the State Highway Construction and Maintenance Fund<sup>1</sup> and 40% shall be divided among the county treasurers’ offices according to percentage of county road miles as certified annually by the Oklahoma Department of Transportation to be accredited to the county highway fund of each county created pursuant to Section 1503 of Title 69 of the Oklahoma Statutes.

Section 3 amends Section 1355 of Title 68 by providing that public highway electric vehicles are not exempt from the state sales rate of 4.5%.

Section 4 amends Section 1403 of Title 68 by requiring for the fiscal year beginning July 1, 2021<sup>1</sup> and each year thereafter, that use tax revenues levied on the use or consumption of public highway electric vehicles collected by the Tax Commission are to be apportioned and placed to the credit of the State Highway Construction and Maintenance Fund created pursuant to Section 1503 of Title 69 of the Oklahoma Statutes.

Section 5 amends Section 1404 of Title 68 by stipulating that “public highway electric vehicles” are not exempted from the use tax provided under Section 1402 of Title 68 or otherwise exempted from taxation levied pursuant to Sections 1401 through 1411 of Title 68.

Section 6 amends Section 2101 of Title 68, by defining “public highway electric vehicle” as any motor vehicle that is manufactured, sold and acquired primarily for use and driving on public highways, that is a four-wheeled vehicle which is propelled solely or to a significant extent by an electric motor which draws electricity from a battery or other portable sources of electric current and is capable of being recharged from an external source of electricity, and whose normal speed attainable in one (1) mile, without installation, operation, or use of any speed limiter device, is greater than thirty-five miles per hour. In addition, the measure includes “public highway electric vehicle” in the definition of “motor vehicle” and defines “public highways” to mean and include every road, highway, street, way or place within this state, of whatever nature, generally open to the use of the public as a matter of right for the purposes of vehicular travel, including a toll highway, and including streets and alleys of any town or city notwithstanding that same may be temporarily closed for the purpose of construction, reconstruction, maintenance or repair.

Section 7 amends Section 2106 of Title 68 which provides exceptions to the motor vehicle excise tax in lieu provisions which include sales and use tax due on transfers of public electric highway vehicles not to exceed the \$1,500 cap.

Section 8 sets the effective date for the measure to July 1, 2021.

Currently, the transfer of ownership of the described vehicles is subject to 3¼% motor vehicle excise tax and 1¼% state sales/use tax levied on the purchase price of the vehicle. Under the measure, it appears that the intent is to subject the sale/transfer of these vehicles to 3¼% excise tax in addition to the 4½% state sales/use tax levy capped at \$1,500.

Motor Vehicle records do not currently capture information in which to specifically identify these vehicles. However, based upon the website “EVAoption”, a total of 2,683 electric vehicles<sup>2</sup> were

---

<sup>1</sup> 69 O.S. § 1501

<sup>2</sup> It is unknown if these sales figures include hybrids or plug-in-electric hybrids.

sold in Oklahoma for 2018 and according to Cox Automotive<sup>3</sup>, the average price of an electric vehicle was \$55,600 in 2019<sup>4</sup> with a resulting sales tax of \$2,502 per vehicle. Therefore, multiplying 2,683 vehicles by \$1,500 per vehicle will result in sales tax collections of \$4,024,500 less the 1.25% sales tax amount of \$1,864,685 currently collected on these transactions results in an increase in sales tax revenues of \$2,159,815.

The measure will also result in the reapportionment of an estimated \$1,864,685 in state sales tax<sup>5</sup> that is currently collected on transfers of these vehicles at the rate of 1.25% as follows:

FY 22 estimated changes in apportionment of sales tax revenues.

- \$1,559,063 estimated decrease to the General Revenue Fund
- \$218,355 estimated decrease to the Education Reform Revolving Fund,
- \$69,925 estimated decrease to the Teacher's Retirement System
- \$5,840 estimated decrease to the Oklahoma Tourism Promotion Revolving Fund
- \$10,383 estimated decrease to the Oklahoma Tourism Capital Improvement Revolving Fund
- \$1,119 estimated decrease to the Oklahoma Historical Society Capitol Improvement Operations Revolving Fund
- \$2,414,700 estimated increase in apportionment to the State Highway Construction and Maintenance Fund
- \$1,609,800 estimated increase in apportionment to the various county treasurer's offices for county highway funds.

Administrative Cost:

Currently, the Oklahoma Tax Commission does not possess the software needed to identify the described vehicle. The recurring annual cost to obtain the license, maintenance and updates is \$10,000.

---

<sup>3</sup> Based on an article in Quartz, dated August 27, 2019 entitled "The Average Electric Vehicle is Getting Cheaper in the U.S."

<sup>4</sup> Tesla vehicles accounted for 80% of all EV sales in this study.

<sup>5</sup> For purposes of this impact it is assumed that all projected transactions relating to sales/transfers of public highway electric vehicles will occur in Oklahoma and as such will be subject to sales tax.