

**BILL SUMMARY**  
1<sup>st</sup> Session of the 59<sup>th</sup> Legislature

<b>Bill No.:</b>	<b>HB2350</b>
<b>Version:</b>	<b>Introduced</b>
<b>Request Number:</b>	<b>6204</b>
<b>Author:</b>	<b>Dempsey</b>
<b>Date:</b>	<b>3/01/2023</b>
<b>Impact:</b>	<b>OTC Analysis:</b>
	<b>FY23: \$142,616 revenue decrease</b>
	<b>FY24: Unknown revenue decrease</b>
	<b>FY25: Unknown revenue decrease</b>

**Research Analysis**

HB2350, as introduced, expands and adds definitions uses to administered the agriculture sales tax exemption and the agriculture exemption permit. The definition of *agricultural products* is expanded to include timber. *Farming* and *farm* is defined to include the production of timber, seedling production and forestry management. *Livestock* is defined to include the breeding of game animals.

Prepared By: Quyen Do

**Fiscal Analysis**

HB2350 expands the agricultural sales tax exemption by altering the definitions of "agricultural product", "farming or farm" and "livestock". This measure is expected to decrease state sales tax revenues in the amount of \$142,616 in FY23, and produce an unknown decrease in state revenues for FY24 and FY25. Officials with the Oklahoma Tax Commission have provided information on the nature of the impact.

As provided by the Oklahoma Tax Commission:

As of January 1, 2022, 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 were made exempt pursuant to the passage of HB 1588. Therefore, a large portion of heavy equipment associated with the timber industry is already exempt from sales tax. However, the amount of land that is currently being used for timber production, seedling production, and forestry management is unknown as are the number of new agricultural permit holders that are to be exempted by this measure. Consequently, an unknown decrease in state sales tax revenues is estimated for FY 24 and FY 25.

Based upon information previously received from industry sources, there are an estimated 50 establishments in Oklahoma dedicated solely to the commercial production of deer. Each of these groups on average sell 12 deer per year at an average cost of \$3,637 per deer which results in annual sales of 600 deer with a combined sales price of \$2,182,200. Application of the state sales tax rate results in an estimated decrease of \$98,199 in state sales tax revenues for FY 23.

Industry sources also indicate that the average annual expenditures per farm is \$19,741. Multiplying 50 new farms by the average expenditures per farm, results in total estimated taxable expenditures of \$987,050. Application of the state sales tax rate equals an estimated decrease in state sales tax revenues of \$44,417 for FY 23.

The measure provides for an effective date of November 1, 2023. Application of inflation rate adjustments<sup>1</sup> of 2.2% for FY 24 and 2% for FY 25 results in an estimated decrease of \$85,023 in states sales tax revenues for FY 24 and an estimated decrease of \$148,669 in state sales tax revenues for FY 25.

Prepared By: Zachary Penrod, House Fiscal Staff

### **Other Considerations**

None.

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