

BILL SUMMARY
2nd Session of the 59th Legislature

Bill No.:	SB1502
Version:	SUBREC
Request Number:	10871
Author:	Rep. Fetgatter
Date:	4/17/2024
Impact:	Potential decrease in revenue

Research Analysis

The subcommittee recommendation for SB1502 extends the sales tax exemption provided to governmental entities to their contractors and subcontractors when the purchases are necessary to carry out a construction contract. Contractors may present a copy of an OTC issued exemption letter or card to vendors that will serve as documentation for the exemption.

Prepared By: Quyen Do

Fiscal Analysis

In its current form, SB1502 extends the sales tax exemption provided to governmental entities to their contractors and subcontractors.

Analysis by the Oklahoma Tax Commission:

REVENUE IMPACT: Currently, most purchases by contractors and subcontractors are subject to sales tax, with exceptions provided to certain entities, including local governments. SB 1502 would expand the exception to allow contractors and subcontractors to make exempt purchases for any construction contract on behalf of 82 nonprofit entities that are listed in 68 O.S. § 1356(B).

The amendatory language is unclear as to whether state and federal government contractors are included in the list of entities allowed to make exempt purchases. If those entities are included, the revenue impact would result in a significant decrease in state sales tax collections, potentially in the tens of millions of dollars.

FY 25: potentially significant decrease in state sales tax collections.

FY 26: potentially significant decrease in state sales tax collections.

Prepared By: Zach Penrod, House Fiscal Staff

Other Considerations

None.