

OKLAHOMA TAX COMMISSION

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

DATE OF IMPACT STATEMENT: March 30, 2023

BILL NUMBER: HB 1348 **STATUS AND DATE OF BILL:** Engrossed 3/13/23

AUTHORS: House: Fetgatter Senate: Rader

TAX TYPE (S): Ad Valorem **SUBJECT:** Recovery Fee

PROPOSAL: New Law

HB 1348 proposes a new law that would allow companies primarily in the business of renting heavy equipment property to charge their customers a recovery fee of 1.25% on the rental charge. The fee shall be retained by the business for the purpose of paying ad valorem taxes against the heavy equipment property. HB 1348 further requires businesses who collect this fee to submit a report to the Tax Commission showing the personal property taxes paid and aggregated recovery collections. If the recovery collections exceed the aggregated taxes paid, the excess shall be paid to the General Revenue Fund.

EFFECTIVE DATE: Emergency - July 1, 2023

REVENUE IMPACT:

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

FY 24: unknown

April 10, 2023
DATE

Rick Muller
DIVISION DIRECTOR

caj

4/10/2023
DATE

Huan Gong
HUAN CONG, ECONOMIST

4/10/2023
DATE

Joseph P Gappa
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 FISCAL IMPACT - HB 1348 - [Engrossed] - Prepared 03/30/23

HB 1348 proposes a new law that would allow companies primarily in the business of renting heavy equipment property to charge their customers a recovery fee of 1.25% on the rental charge from any item of heavy equipment property rental by a customer. The fee shall be retained by the business for the purpose of paying ad valorem taxes against the heavy equipment property. HB 1348 creates exemptions for the collection of this fee for heavy equipment property rented to tribes, federal, state and local entities. The bill also specifies that the fee is not subject to sales tax.

HB 1348 further proposes to require businesses who collect this fee to submit an annual report on or before February 15th to the Tax Commission showing the aggregated personal property taxes paid and aggregated recovery collections for the prior calendar year. If the recovery collections exceed the aggregated taxes paid, the excess shall be paid to the General Revenue Fund.

Revenue Analysis

There may be an impact to both state and local tax revenue associated with the proposed measure. However, any resulting revenue impact to tax collections occurring as a result of this measure cannot be quantified at this time due to multiple unknown variables, including the total estimated rental receipts for qualifying equipment, and current ad valorem taxes paid by a qualified renter on said equipment. Therefore, the revenue impact to local tax collections is unknown, and subsequently, the impact from any excess funds being sent to the general revenue fund is also unknown.

Administrative Analysis

HB 1348 does not specify specific responsibilities for the Tax Commission, other than receiving the reports from businesses. Assuming the Tax Commission may be responsible for reconciling the fees collected in excess of paid property taxes and sending those funds to the general revenue fund, there may be a minimal fiscal impact to the agency.