

OKLAHOMA TAX COMMISSION

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

DATE OF IMPACT STATEMENT: January 26, 2024

BILL NUMBER: SB 1484 **STATUS AND DATE OF BILL:** Introduced 12/18/2023

AUTHORS: House: n/a Senate: Garvin

TAX TYPE (S): Sales **SUBJECT:** Exemption

PROPOSAL: Amendatory

SB 1484 proposes to amend 68 O.S. § 1357 by exempting from the sales tax levy, sales of tangible personal property or services to persons who are residents of Oklahoma and are granted a disability retirement benefit by the Oklahoma Police Pension, Oklahoma Firefighters Pension, Oklahoma Law Enforcement Retirement System, or Oklahoma Wildlife Conservation Retirement System for a disability incurred in the line of duty.

EFFECTIVE DATE: November 1, 2024

REVENUE IMPACT: There are 2,495 eligible persons that may qualify for the \$25,000 sales tax exemption currently. If each eligible person were to utilize the maximum exemption *each calendar year*, it could result in a decrease of \$2.8 million annually. However, the effective date of the bill is November 1, 2024, and the maximum exemption could potentially be used in calendar year 2024 and again in the first half of 2025, resulting in a decrease of \$5.6 million for FY25.

FY 25: unknown decrease in sales tax collections of between \$2.8 million and \$5.6 million.

FY 26: unknown decrease in sales tax collections of between \$2.8 million and \$5.6 million.

ADMINISTRATIVE IMPACT: An estimated \$12,000 in OTC administrative cost includes paper, printing and mailing the relevant sales tax exemption cards.

1/26/24

DATE



MARIE SCHUBLE, DIVISION DIRECTOR

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1/26/24

DATE

Huan Gong

HUAN GONG, ECONOMIST

1/29/2024

DATE

Joseph P. Gappa

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 REVENUE IMPACT – SB 1484 [Introduced] Prepared 01/16/2024

CURRENT LAW:

The sale of tangible personal property and services in Oklahoma to persons, unless specifically exempted by the provisions of the Oklahoma Sales Tax Code, is subject to the levy of sales tax. 68 O.S. §1354(A)(1).

PROPOSED AMENDMENTS:

SB 1484 proposes to amend 68 O.S. § 1357 by exempting from the sales tax levy, sales of tangible personal property or services to persons who are residents of Oklahoma and are granted a disability retirement benefit by the Oklahoma Police Pension, Oklahoma Firefighters Pension, Oklahoma Law Enforcement or Oklahoma Wildlife Conservation Retirement Systems for a disability incurred in the line of duty. Sales qualifying for the exemption authorized by this paragraph shall not exceed Twenty-five Thousand Dollars (\$25,000.00) per year per individual. The exemption card shall expire five (5) years from the date of issuance.

ANTICIPATED IMPACT:

The affected retirement systems indicated 2,495 persons meet the proposal requirements multiplied by the sales tax exemption limitation of \$25,000:

$$\begin{aligned} 2,495 \times \$25,000 &= \$62,375,000 \times 4.5\% \text{ state tax rate} = \$2,806,875 \\ \$2,806,875 \times 2 &= \$5,613,750 \end{aligned}$$

The anticipated fiscal year impact is difficult to determine because the exemption is based on a calendar year. The analysis is further complicated by the effective date of the bill being in calendar year 2024, which allows for a taxpayer to potentially use the maximum exemption in 2024, and then use the maximum again in the first half of 2025, which would allow for double the exemption within the same fiscal year.

ADMINISTRATIVE COSTS: OTC anticipates an additional cost of \$11,948 which includes paper, printing and mailing sales tax exemption cards as a result of the proposal.