OKLAHOMA TAX COMMISSION

FISCAL IMPACT STATEMENT AND/OR ADMINISTRATIVE IMPACT STATEMENT
FIRST REGULAR SESSION, FIFTY-THIRD OKLAHOMA LEGISLATURE

DATE OF IMPACT STATEMENT: May 20, 2011

BILL NUMBER: HB1954 **STATUS AND DATE OF BILL:** Enrolled 05/19/2011

AUTHORS: House McNiel Senate Mazzei

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

PROPOSAL: Amendatory 68 O.S. § 1359

The measure provides that sales made to any person making purchases pursuant to a contractual relationship for the construction and improvement of manufacturing goods, wares, merchandise, property, machinery and equipment for use in a manufacturing operation shall be considered sales to a manufacturer which is classified in the North American Classification System (NAICS) Manual under Industry Group No. 324110 [Petroleum Refinery].

EFFECTIVE DATE: August 26, 2011[1]

REVENUE IMPACT:

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

FY 12: $34,000 decrease in state sales tax revenues.
FY 13: $42,000 decrease in state sales tax revenues.

ADMINISTRATIVE IMPACT:

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

FY 12: None

May 24, 2011 — Rick Miller
DATE — DIVISION DIRECTOR — mm

5-24-2011 — [signature]
DATE — REECE WOMACK, ECONOMIST

5/24/11 — [signature]
DATE — FOR THE COMMISSION

1 Assumes the published sine die date of May 27, 2011.

ATTACHMENT TO FISCAL IMPACT HB 1954 [Enrolled] Prepared May 20, 2011

In accordance with Tax Commission records it is assumed for purposes of this impact that the average yearly amount assessed for purchases made by contractors or other individuals claiming a manufacturing exemption on behalf of a registered manufacturer is $221,126. Research indicates that there are six manufacturing facilities that are classified under NAICS Industry Group 324110, four of which could be affected by the proposed amendment.

Multiplying the four refineries by the average assessed amount of $221,126 yields total purchases of $884,504. Applying the state sales tax rate of 4.5%, results in a decrease in state sales tax collections of $39,803. The estimated decrease in sales tax collections for FY 12 (including 1/6% inflation rate adjustments) is $41,000. With an effective date of August 26, 2011, an estimated decrease in sales tax collections for FY 12 is $34,166[2] and the estimated decrease in state sales tax collections for FY 13 is $41,656 (assuming an additional inflation rate adjustment of 1.6%).

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2 Includes 10 months of sales tax.