OKLAHOMA TAX COMMISSION

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

DATE OF IMPACT STATEMENT: February 15, 2011

BILL NUMBER: SB0883 **STATUS AND DATE OF BILL:** Introduced 1/20/2011

AUTHORS: House N/A Senate Crain

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

PROPOSAL: Amendatory 68 O.S. §§ 1371 & 2702

The measure strikes the requirement imposed by the passage of HB 2359 [2010] that cities and counties must contract with the Tax Commission for administration of city and county sales and use taxes.

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: $7,720,000 decrease in state sales tax revenues.
FY 13: $11,215,000 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: In excess of a $1,805,000 increase in administrative costs.
FY 13: In excess of a $2,622,000 increase in administrative costs.

2/17/11 — Dawn Elizabeth Cash — mm
DATE — DIVISION DIRECTOR

DATE — REECE WOMACK, ECONOMIST

2/21/11
DATE — FOR THE COMMISSION

1 90 days after Sine Die

ATTACHMENT TO FISCAL IMPACT SB 0883 [Introduced] Prepared February 15, 2011.

Currently, Oklahoma is a member of, and in full compliance with, the Streamlined Sales and Use Tax Agreement (SSUTA). Pursuant to Oklahoma's membership in the SSUTA vendors collected and remitted to Oklahoma $8,669,610 in state sales and use tax, $1,159,241 in county tax and $5,636,051 for municipalities. A condition of membership in the SSUTA is that a state must provide central administration for state and local sales and use taxes. Under the proposed language cities and counties could choose to contract with entities other than the Tax Commission to administer their local tax collections. If the proposals in SB 883 are enacted and should only one city or county choose to no longer contract with the Tax Commission, Oklahoma would fall out of compliance with the SSUTA and face expulsion therefrom and the annual sales and use tax revenues of the state and cities and counties levying a sales/use tax would decrease in an amount in excess of $15,000,000. Further, Oklahoma's non compliance could cost the state and applicable cities and counties additional revenue losses should Congress pass the Main Street Fairness Bill requiring all non collecting vendors to collect and remit sales and use taxes to all states which are members of and in compliance with the SSUTA. The estimated decrease in state sales tax collections for FY 12 (including 8.96% growth rate adjustments) is $10,292,805. With an effective date of August 26, 2011, an estimated decrease in state sales tax collections of $7,719,604 will occur in FY 12[2] and an estimated decrease in state sales tax collections of $11,215,040 will occur in FY 13 (again applying an 8.96% growth rate adjustment).

In accordance with Sections 2702[3] and 1371[4] of Title 68 of the Oklahoma Statutes the Tax Commission is allowed to retain a set percentage of city and county sales and use tax collections to offset administrative costs. In FY 10, the Tax Commission retained $16,990,212 in city and county sales and use taxes. Assuming for purposes of illustration that all major cities in Tulsa and Oklahoma Counties opted out of the Tax Commission contract for assessment and collection of their local sales and use tax levies, an estimated loss to the Tax Commission's FY 12 budget of $7,540,869[5] would result requiring additional legislative appropriation to the Tax Commission. However, at this time, there is only one known city that proposes to opt out of its contract with the OTC. The FY 10 retention amount for this city was $2,027,225. The estimated decrease in the Tax Commission's FY 12 budget (including 8.96% growth rate adjustments) is $2,406,779. With an effective date of August 26, 2011, an estimated decrease in the Tax Commission's FY 12 budget is $1,805,084[2] and the estimated decrease in the Tax Commission's budget for FY 13 is $2,622,426 (again applying an 8.96% growth rate adjustment).

Additionally, this proposal conflicts with the legislative finding made in Section 1407.5 of Title 68 relating to state level administration of sales and use taxes and the continuance of cities and counties to contract with the Tax Commission to collect local levies. The proposed amendments are also contrary to Section 281 of Title 68 regarding state, city, and county joint enforcement efforts-specifically the maintenance by the Tax Commission of central sales and use tax administration, and that sales and use tax remitters not be subjected to duplicate audits, reports, or other collection efforts.

Adoption of this proposal could ultimately result in duplication of efforts i.e., audits, assessments, hearings, collection activities etc. for the state, cities and counties to collect sales and use tax from the same entity for an identical period. Likewise, vendors would be subject to a duplication of actions and proceedings. Also, vendors would be required to file multiple sales and use tax reports varying in form and filing mechanisms with various entities. As a result, vendors would incur significant costs associated with the necessity to interact with multiple taxing jurisdictions.

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2 Includes nine months of sales tax.

3 Authorizes an amount not to exceed 1 3/4% of municipal sales and use collections.

4 Authorizes an amount not to exceed 1 % of county sales and use tax collections.

5 Allows for an effective date of 8/26/2011and a growth rate of 8.96% for FY 12 .