

OKLAHOMA TAX COMMISSION

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

DATE OF IMPACT STATEMENT: February 14, 2011

BILL NUMBER: SB 0950 **STATUS AND DATE OF BILL:** Introduced 01/20/2011

AUTHORS: House N/A Senate Russell

TAX TYPE (S): Sales and Use **SUBJECT:** Other

PROPOSAL: Amendatory and Repealer

See attached for bill description.

EFFECTIVE DATE: July 1, 2011-Emergency

REVENUE IMPACT:

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

FY 12: Section 3: \$1,554,000 in state sales tax collections
Sections 4 and 7: \$12,966,000 in state sales and use tax collections
Remaining Sections: Impact unknown at this time

ADMINISTRATIVE IMPACT:

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

FY 12: Unknown

2/20/11 Dan Eliegha Case mm
DATE DIVISION DIRECTOR

DATE REECE WOMACK, ECONOMIST

2/21/11
DATE FOR THE COMMISSION

ATTACHMENT TO FISCAL IMPACT—SB 905—[Introduced]—Prepared February 14, 2011

Section 1-68 O.S. § 249

Strikes the requirement imposed by the passage of HB 2359 [2010] that tax preparers when preparing individual income tax returns advise clients of their responsibility to remit use taxes utilizing the use tax remittance line provided on the Oklahoma Individual Income Tax return or by filing an Oklahoma Consumer Use Tax report.

There is an unknown decrease in state use tax collections associated with Section 1.

Section 2 68 O.S. § 1354.31(C)

Removes language added by HB 2359 [2010] which provides for eligibility for compensation to certain remote sellers in addition to that provided in Section 1354.31(C).

Section 3

Exempts from the sales tax levy, the first \$1,000,000 in sales by an Oklahoma vendor to Oklahoma residents, if the vendor's business is limited to a retail Internet website located only in Oklahoma.

Currently, there are over 68,000 vendors registered for sales tax collection purposes with Oklahoma. It is assumed for purposes of this impact that 1% or 680 vendors are wholly Oklahoma businesses that only make sales through a retail website. Multiplying the 680 vendors by \$1,000,000 in exempted sales yields exempt gross receipts in the amount of \$680,000,000. Also, it is assumed for impact purposes that 5% or \$34,000,000 of these sales will occur in the first year of applicability. Applying the state sales tax rate of 4.5%, results in a decrease of state sales tax collections of \$1,530,000. The estimated decrease in state sales tax collections for FY12 (assuming an inflation rate adjustment of 1.6%) is \$1,554,480.

The estimated decrease of state sales tax collections for FY 12 is \$1,554,000.

Section 4 68 O.S. 1367.1

Reinstates the vendor sales tax discount percentage and cap in effect prior to the passage of HB 2359 [2010] by modifying the current rate of 1% for all taxpayers to 2.25% for vendors that participate in the OTC's electronic funds transfer and data interchange program and 1 1/4% for all other vendors. The proposal modifies the monthly maximum discount which is currently capped at \$2,500 per month, increasing it to \$3,300 per month.

Strikes the provisions which provide that in the event that federal authority authorizes Oklahoma to require remote sellers to collect and remit sales and use taxes, the OTC is authorized and directed to promulgate rules providing for deduction in the amounts and subject to the limitations provided in the Streamlined Sales and Use Tax Agreement and that provides for all sellers to be eligible for such deductions beginning on the date Oklahoma acquires such collection authority pursuant to federal authorization.

The estimated decrease in state sales and use tax revenues for FY 12 is \$12,966,000.

Section 5

Exempts from the use tax levy, the first \$1,000,000 in sales by an Oklahoma vendor to Oklahoma residents, if the vendor's business is limited to a retail Internet website located only in this state.

Sales transaction which would fall within the parameters of Section 5 would not be subject to the imposition of Oklahoma use tax. Therefore, there is no revenue impact associated with Section 5.

Section 6

Strikes the amendments approved in Section 1 of HB 2359 [2010] which impose the legal requirement on certain out-of-state vendors/retailers to invoice, collect and remit use tax to Oklahoma.

There is an unknown decrease in state use tax collections associated with Section 6.

Section 7

Reinstates the vendor use tax discount percentage and cap in effect prior to the passage of HB 2359 [2010] by modifying the current rate of 1% to 2.25%. The proposal modifies the monthly maximum discount which is currently capped at \$2,500 per month, increasing it to \$3,300 per month.

The revenue impact for Section 7 is included in Section 4.

Section 8

Repeals certain Sections of Title 68 which along with their subject matter are set forth below:

- 68 O.S. § 1406.1 Requires certain non-collecting out-of-state vendors to notify on its retail Internet website or retail catalog and customer invoices that use tax is imposed and must be and must be paid by the purchaser, unless otherwise exempt, on items brought into Oklahoma for use or consumption.
- 68 O.S. § 1407.2 Directs the Tax Commission to establishment a Retailer Compliance Initiative to encourage voluntary disclosure of tax liability by out-of-state retailers.
- 68 O.S. § 1407.3 Directs the Tax Commission to implement an outreach program in order to improve use tax compliance by Internet retailers.
- 68 O.S. § 1407.4 Directs the Tax Commission to establish the Consumer Compliance Initiative for consumers liable for the payment of Oklahoma use taxes.
- 68 O.S. § 281 Directs the Tax Commission to coordinate with local governments to increase state and local sales and use tax collections through joint enforcement efforts.

There is an unknown decrease in state use tax collections associated with Section 8.