

OKLAHOMA TAX COMMISSION

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

DATE OF IMPACT STATEMENT: January 31, 2013

BILL NUMBER: SB 21 STATUS AND DATE OF BILL: Introduced 12/13/2012

AUTHORS: House n/a Senate Allen

TAX TYPE (S): Motor Vehicle SUBJECT: Tax Rate

PROPOSAL: Amendatory

Amends Section 1105 of Title 68 defining "trailer" as a vehicle for the purposes of the Vehicle License and Registration Act and requires the Tax Commission to register all boat trailers, farm trailers or utility-type trailers and establishes fees for trailer registration.

EFFECTIVE DATE: November 1, 2013

REVENUE IMPACT:

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

FY 14: } See attached analysis
FY 15: }

ADMINISTRATIVE IMPACT:

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

FY 14: \$394,000 increase in OTC administrative costs

Jan. 31, 2013
DATE

Rick Miller
DIVISION DIRECTOR

msm

2-1-2013
DATE

Reece Womack
REECE WOMACK, ECONOMIST

2/11/13
DATE

Dan Carr
FOR THE COMMISSION

ATTACHMENT TO FISCAL IMPACT–SB 21–[Introduced]–Prepared January 29, 2013

Section 1

The measure defines "trailer" as a vehicle for the purposes of the Vehicle License and Registration Act.

Section 2

The bill requires the Tax Commission to register all boat trailers, farm trailers or utility-type trailers and establishes fees for trailer registration set forth as follows:

- \$20.00 Initial Trailer registration for boat and utility trailers
- \$7.00 Subsequent boat and utility trailer transfers of ownership
- \$1.00 All Farm Trailer registration transactions

The monies from these fees are apportioned as provided in Section 1104 of Title 47 of the Oklahoma Statutes. Upon payment of the applicable registration fees, the Tax Commission must issue a non-expiring registration certificate and license plate for each boat trailer, farm trailer or utility-type trailer. For registrations which occur before a date which is six months from the act's effective date, a factory-built trailer with a serial number must be accompanied by a statement of origin or if previously titled in another state, a properly assigned certificate of title. If no statement of origin or title is available, a sworn statement of ownership must be provided. For registrations which occur on or after a date which is six months from the effective date of the act, the measure requires varying types of information to be provided depending on trailer classification in order to register a trailer.

Section 3

Subjects trailers, not registered six months from the effective date of the Act or thirty days from the transfer of ownership date, whichever occurs first, to the \$1.00 a day penalty provided for in Section 1132(F) of Title 47 which is presently capped at \$100.

Section 4

The measure removes language exempting trailers from registration

Based on previous projections, there are 175,000 unregistered trailers in Oklahoma. Currently 12,762 Farm/Private trailers are optionally registered in the State. Of that total, 6,870 (54%) are registered as Farm Trailers and 5,892 (46%) are registered as Private Trailers¹. These percentages applied to the 175,000 unregistered trailers equates to 94,500 unregistered Farm Trailers in Oklahoma and 80,500 unregistered private (i.e. other than Farm) Trailers in Oklahoma

It is assumed for purposes of the impact that the \$5.75 in statutory fees (currently added to the \$1 fee on optional private and farm trailer registrations) is to be added to the fees referenced in the measure, which results in the following registration fee assessments:

- \$26.00 Initial Private Trailer registration
- \$13.00 Subsequent Private Trailer transfers of ownership
- \$7.00 All Farm Trailer registration transactions

For all subsequent year projections, it is assumed that an equal number of trailers enter and leave (or go out of service) the state.

¹ The private trailer classification includes utility and boat trailers.

Registration Fees:

Requiring the 94,500 unregistered farm trailers and the 80,500 private trailers to pay the registration fees of \$7.00 and \$26.00 respectively results in an increase of vehicle registration fees of 2,754,500.00 for FY 14. $(94,500 \times \$7) + (80,500 \times \$26.00)$.

Based on Tax Commission records, approximately 14% of vehicle registration transactions represent an original title transaction (i.e. purchased new or entering from another state in any given year) and 18% of currently registered vehicles have a transfer title transaction in any given year.

Application of these percentages to the total unregistered farm and private trailers result in an estimated 11,270 private trailers subject to original registration transactions, 14,490 existing trailers subject to transfer transactions and 30,240 farm trailers subject to either original or transfer registration transactions. Multiplying the transaction totals by the applicable registration fees equates to an increase in subsequent years of \$693,070*.

Title Fees:

Multiplying 175,000 trailers currently unregistered by the \$11.00 title fee results in an initial increase in title fees of \$1,925,000 for FY14. $[175,000 \times \$11 = \$1,925,000]$. Multiplying the \$11.00 title fee by the 56,000 trailer registrations anticipated in subsequent years, results in an additional increase in title fees of \$616,000 for FY 15 $(175,000 \times 32\% \text{ or } 56,000 \text{ trailers} \times \$11.00)$.

Excise Tax:

For purposes of the impact, the following assumptions are made:

- Taxable values of \$1,000 for new trailers and \$500 for used trailers.
- Excise tax would be assessed only on those trailers purchased on/after the effective date of the legislation.
- 41% of original titles issued result from a newly purchased vehicle (i.e. New excise tax rate and taxable value applied)
- All other (59%) original and transfer titles correspond to used vehicles (i.e. Used excise tax rate and taxable value applied)
- Assume 50% of used trailers entering from another state are subject to excise tax (i.e. recently purchased)

Application of the above outlined assumptions results in an annual increase in excise tax revenue of \$1,106,045*

New Trailers:

* $[10,045 (41\% \text{ of } 14\% \text{ of } 175,000) \times \$33.00 (\text{New Excise Rate @ } \$1000 \text{ value}) = \$331,485]$

Used Trailers:

* $[7228 (50\% \text{ of } 59\% \text{ of } 14\% \text{ of } 175,000) + 31,500 (18\% \text{ of } 175,000) = 38,728] [38,728 \times \$20.00 (\text{Used Excise Rate @ } \$500 \text{ value}) = \$774,560]$

Senate Bill 21 proposes an effective date of November 1, 2013. The estimated increase in vehicle excise tax collections for FY 14 is \$737,363. $[\$1,106,045 / 12 \text{ months} = 92,170 \times 8 \text{ months} = \$737,363]$. For FY 15, the estimated increase in vehicle excise tax collections is \$1,106,045.

Sales Tax

For purposes of the sales tax analysis, the values of new and used trailers assumed for purposes of estimating excise tax are utilized. Multiplying 10,045 new private trailers by \$1,000 and 7,228 used private trailers by \$500 results in an estimated total of \$13,659,000 in taxable sales. Applying the state sales tax rate of 4.5% yields a decrease in state sales tax collections of \$614,655.

The estimated decrease in sales tax collections for FY 14 is \$614,655.

With an effective date of November 1, 2013, an estimated decrease in state sales tax collections of \$358,549 will occur in FY 14² and an estimated decrease in state sales tax collections of \$614,655 will occur in FY 15 assuming similar sales transactions for new and used trailers.

Inspection Fees:

Because trailers are to be considered vehicles for the purposes of Section 1105, the \$4.00 inspection fee applicable to vehicles entering from another state, provided for in 47 O.S. § 1105(L), would be collected. As previously stated, 14% of total vehicle registration transactions correspond to an original title transaction and 59% of original titles issued result because of a vehicle entering from another state. Therefore, in FY 14, an increase in inspection fees in the estimated amount of \$413,000 will result $[103,250 \text{ (59\% of 175,000)} \times \$4]$; along with an additional increase in inspection fees in the amount of \$57,820.00 for FY 15 $[14,455 \text{ (59\% of 14\% of 175,000)} \times \$4]$ and subsequent years.

Section 5

Repeals 47 O.S. § 1133.3 concerning optional registration for non-commercial boat and utility-type trailers.

Summary

- \$2,754,500 estimated increase in registration fees for FY 14 (initial year)
- \$693,070 estimated increase in registration fees for FY 15 and subsequent years
- \$1,925,000 estimated increase in title fees for FY 14 (initial year)
- \$616,000 estimated increase in title fees for FY 15 and subsequent years
- \$737,363 estimated increase in excise tax revenue for FY 14
- \$1,106,045 estimated increase in annual excise tax revenue for FY 15
- \$358,549 estimated decrease in state sales tax revenues for FY 14
- \$614,655 estimated decrease in state sales tax revenues for FY 15
- \$413,000 estimated increase in inspection fees for FY 14 (initial year), and
- \$57,820 estimated increase in inspection fees for FY 15 and subsequent years.

Administrative Cost Analysis

Pursuant to the provisions of the measure, the Tax Commission will issue an estimated 175,000 license plates for existing trailers in Oklahoma, in addition to an estimated 17,273 license plates for newly purchased trailers and for those entering from another state, at a cost for \$2.05 per license plate, resulting in an increase in administrative costs of \$394,160 incurred in FY 14.

² Includes seven months of sales tax collections.