

OKLAHOMA TAX COMMISSION

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

DATE OF IMPACT STATEMENT: February 8, 2014

BILL NUMBER: HB 2403 STATUS AND DATE OF BILL: Introduced 01/03/2014

AUTHORS: House Hulbert Senate n/a

TAX TYPE (S): Vehicle Excise & Boats and Motors SUBJECT: Tax Rate

PROPOSAL: Amendatory 68 O.S. § 2104 & 63 O.S. § 4105

The measure alters the calculation of vehicle excise tax by removing the requirement that the value of a vehicle prior to the subtraction of trade-in discounts or credits must be within twenty percent (20%) of the average retail price value of such vehicle as listed in the automotive reference material prescribed by the Oklahoma Tax Commission. The bill also changes the taxable value for boat and motor excise tax to actual sales price instead of the current formula based on Manufacturers Suggested Retail Price.

EFFECTIVE DATE: November 1, 2014

REVENUE IMPACT:

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

FY 15 \$8,434,000 decrease in vehicle excise tax collections
\$4,057,000 increase in boat and motor excise tax collections
FY 16 \$12,650,000 decrease in vehicle excise tax collections.
\$6,086,000 increase in boat and motor excise tax collections

ADMINISTRATIVE IMPACT:

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

FY 15: None

Feb. 8, 2014
DATE

Rick Miller
DIVISION DIRECTOR

msm

2-8-14
DATE

Beece Womack
BEECE WOMACK, ECONOMIST

2/8/14
DATE

Dawn Cash
FOR THE COMMISSION

ATTACHMENT TO FISCAL IMPACT—HB 2403-[Introduced] Prepared February 8, 2014

The measure alters the calculation of vehicle excise tax by removing the requirement that the value of a vehicle prior to the subtraction of trade-in discounts or credits must be within twenty percent (20%) of the average retail price value of such vehicle as listed in the automotive reference material prescribed by the Oklahoma Tax Commission. The bill also changes the taxable value for boat and motor excise tax to actual sales price instead of the current formula based on Manufacturers Suggested Retail Price.

Vehicle Excise Tax – Removal of requirement vehicle purchase price be within 20% of value listed in prescribed reference material.

Pursuant to the provisions of Section 2104 of Title 68 of the Oklahoma Statutes, the value of a vehicle for excise tax purposes shall be the average retail price (commonly referred to as the purchase price) of such vehicle, before any discounts or credits are given for a trade-in. However, the value of the vehicle prior to the subtraction of such discounts or credits for a trade-in is required to be within twenty percent (20%) of the average retail price value of such vehicle as listed in the automotive reference material prescribed by the Oklahoma Tax Commission. The current reference material prescribed by the Tax Commission is provided by the National Automobile Dealers Association "N.A.D.A."

The Tax Commission or a motor license agent enters the purchase price and 17-digit vehicle identification number ("V.I.N.") at the time a transfer of title occurs and the software program provided by the vendor compares the price with the average retail value. If the provided price falls within the statutorily required range of twenty percent (20%), it is accepted by the system and utilized as the basis for excise tax computation. If the provided price is not within the acceptable range, it is overridden and a taxable value established which is within the range. The statute specifies the "average" value for a specific model is to be utilized for the purpose of establishing a taxable value. There is no statutory allowance for the value to be adjusted for the condition (i.e. high/low mileage, damage, salvage/rebuilt status, etc.) of a specific vehicle.

In CY 2013, 786,527 vehicles were issued certificates of title on which vehicle excise tax was collected at the standard (3.25%) rate. Of that amount 41% or 322,474 vehicles had the submitted purchase price overridden by the 20% average retail value formula.

- Of the 322,474 overridden purchase prices, the resulting taxable value was higher than the purchase price for 251,530 (78%) and lower for 70,944 (22%).
- Of 173,831 new vehicle transactions, the purchase price was overridden on 17,383(10%).
- Of 612,691 used vehicle transactions, the purchase price was overridden on 306,346 (50%).
- The cumulative effect of the purchase price overrides was a net valuation increase of \$389,238,985.

Based on the above, the proposed elimination of the 20% vehicle valuation override would result in an estimated reduction in annual vehicle excise tax collections of \$12,650,267. [3.25% of \$389,238,985].

Section 1 proposes an effective date of November 1, 2014. The estimated decrease in vehicle excise tax collections for FY 15 is \$8,433,511 [$\$12,650,267 / 12 \text{ months} = 1,054,189 \times 8 \text{ months} = \$8,433,511$]. For FY 16, the estimated decrease in vehicle excise tax collections is \$12,650,267.

Vehicle Excise Tax Regarding Boats and Motors – Changes excise tax calculation to actual purchase price instead of the current formula based on Manufacturers Suggested Retail Price.

Under current law¹, the value of a new boat or motor for purposes of calculation of the 3.25% excise tax is the Manufacturers Suggested Retail Price with the taxable value decreasing 35% each year until a minimum taxable value of \$250 is reached. HB 2403 proposes to change the taxable value to the actual sales price before any discounts or credits are given for a trade-in.

Tax Commission records indicate excise tax collections for CY 13 of \$4,011,433 attributable to 37,462 boats and motor transactions. For purposes of this impact, it is estimated that boats and motors depreciate by 10% each year until the vessel or motor reaches ten years of age, at which point values level off. Application of the 10% annual value depreciation to the 37,462 vessels and motors transactions for CY 13 yields estimated excise tax collections of \$10,097,667 based upon actual sales price valuation. Based on the foregoing, an increase in annual boat and motor excise tax collections of \$6,086,234 is projected as a result of this proposal.

Section 2 proposes an effective date of November 1, 2014. The estimated increase in boat and motor excise tax collections for FY 15 is \$4,047,489 [$\$6,086,234 / 12 \text{ months} = \$507,186 \times 8 \text{ months} = \$4,057,489$]. For FY 16, the estimated decrease in vehicle excise tax collections is \$6,086,234.

Estimated Net Revenue Impact

FY 15	\$8,433,511 decrease in vehicle excise tax collections
	\$4,057,489 increase in boat and motor excise tax collections
FY 16	\$12,650,267 decrease in vehicle excise tax collections.
	\$6,086,234 increase in boat and motor excise tax collections

¹ 63 O.S. § 4105