OKLAHOMA TAX COMMISSION

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

DATE OF IMPACT STATEMENT: May 20, 2016

BILL NUMBER: SB 1282 **STATUS AND DATE OF BILL:** Enrolled 05/18/2016

AUTHORS: House Echols & Sherrer Senate Jolley & Sparks

TAX TYPE (S): Sales & Ad Valorem **SUBJECT:** Other & Exemption

PROPOSAL: New & Amendatory

Section 1 proposes a new section of law not to be codified in the Oklahoma Statutes which directs the Oklahoma Tax Commission to enhance agency efforts to discover and reduce fraud and abuse of sales tax exemptions provided in the Sales Tax Code.

Section 2 proposes amendment to Section 1359 of Title 68 to exempt from the sales and use tax levies, the sale, use or consumption of paper stock and other raw materials which are manufactured into commercial printed material[1] in this state primarily for use and delivery outside this state.

Section 3 modifies the definition of "investment cost" in Section 2902 of Title 68 for purposes of qualification for the five year ad valorem exemption as a facility expansion.

EFFECTIVE DATE: Sections 1 & 2 November 1, 2016
Section 3 January 1, 2016

REVENUE IMPACT:

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

FY 17: Section 1 - Unknown
Section 2 - Minimal estimated decrease in sales tax collections
Section 3 - None

FY 18: Section 1 - Unknown
Section 2 - Minimal estimated decrease in sales tax collections
Section 3 - None

ADMINISTRATIVE IMPACT:

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

FY 17: Unknown

May 20, 2016 Rick Miller msm
DATE DIVISION DIRECTOR

5-23-16
DATE REECE WOMACK, ECONOMIST

5/23/16
DATE FOR THE COMMISSION

1 For purposes of this exemption "commercial printed material" shall include magazines, catalogs, retail inserts and direct mail.

ATTACHMENT TO FISCAL IMPACT-SB 1282-[Enrolled]-Prepared May 20, 2016

Section 1 proposes a new section of law not to be codified in the Oklahoma Statutes which directs the Oklahoma Tax Commission to enhance agency efforts to discover and reduce fraud and abuse of sales tax exemptions provided in the Sales Tax Code.

The impact of this proposed initiative on state sales collections is unknown.

Section 2 proposes amendment to Section 1359 of Title 68 to exempt from the sales and use tax levies, the sale, use or consumption of paper stock and other raw materials which are manufactured into commercial printed material[2] in this state primarily for use and delivery outside this state.

A minimal decrease in state sales tax revenues is estimated to occur as a result of Section 2.

Section 3 modifies the definition of "investment cost" in Section 2902 of Title 68 for purposes of qualification for the five year ad valorem exemption as a facility expansion. The amendment provides that investment cost shall include capital expenditures for direct replacement, refurbishment, repair or maintenance of existing machinery or equipment that qualifies for depreciation and/or amortization pursuant to the Internal Revenue Code of 1986, as amended. The Internal Revenue Code distinguishes "capital expenditures" which create an increase in capacity, productivity or efficiency from ordinary costs for routine maintenance and repair of property.

The proposed amendment merely clarifies existing language consistent with the established policy of the OTC regarding classification of the described expenditures as eligible investment costs for exemption qualification. Consequently, no additional impact to the Ad Valorem Reimbursement Fund is estimated to occur as a result of this amendment.

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2 For purposes of this exemption "commercial printed material" shall include magazines, catalogs, retail inserts and direct mail.