

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 1579 **STATUS AND DATE OF BILL:** Enrolled 05/19/2016

AUTHORS: House Sears & Casey Senate Jolley, Treat & Mazzei

TAX TYPE (S): Sales, Income & Gross Production **SUBJECT:** Administrative

PROPOSAL: New Law & 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 efforts¹ to discover and reduce fraud and abuse of sales and use tax exemptions provided in the Sales and Use Tax Codes and the nonfiling and underreporting of sales and use taxes due and owing.

Section 2 proposes a new section of law not to be codified in the Oklahoma Statutes which directs the Tax Commission to increase its audit staff to conduct audits of individual, corporate and partnership income tax returns and to audit and issue proposed assessments against nonfiling and underreporting taxpayers detected through the use of enhanced technology.

Section 3 proposes amendment to Section 1002 of Title 68 directing the Tax Commission to enhance agency efforts to ensure the proper reporting and collection of gross production taxes in addition to the auditing of claims for refunds or rebates to verify the accuracy of the claims filed.

EFFECTIVE DATE: August 26, 2016²

REVENUE IMPACT:

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

FY 17: Section 1: \$26,800,000 estimated increase in state sales tax collections
Section 2: \$6,600,000 estimated increase in income tax collections
Section 3: \$20,500,000 estimated increase in gross production tax collections

ADMINISTRATIVE IMPACT:

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

FY 17: \$4,182,000 estimated increase in costs to the Tax Commission.

May 20, 2016
DATE

Rick Miller
DIVISION DIRECTOR

cjc

5-23-16
DATE

Reece Womack
REECE WOMACK, ECONOMIST

5/24/16
DATE

Don Carr
FOR THE COMMISSION

¹ Such efforts are to include enhanced sales and use tax auditing with technology systems designed to identify underreporting of sales and use tax and the electronic reporting of information of exempt sales by vendors.

² This assumes the legislature adjourns sine die on May 29, 2015 since this measure has no effective date.

ATTACHMENT TO FISCAL IMPACT SB 1579 – Enrolled – Prepared 05/20/2016

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Section 3 proposes amendment to Section 1002 of Title 68 directing the Tax Commission to enhance agency efforts to ensure the proper reporting and collection of gross production taxes in addition to the auditing of claims for refunds or rebates to verify the accuracy of the claims filed.

The projected increases in sales, use, income and gross production tax revenues are based on collections presently realized from review, audit, assessment, and other compliance efforts of OTC staff. New and enhanced technology systems will allow the identification of improperly claimed exemptions/credits, underreported taxes, failure to report and pay taxes owed, and inaccurate claims for refund/rebates. Once identified, the additional staff will be responsible for these functions to ensure that the proper reports and tax payments are made to the State of Oklahoma.

The increased revenues estimated to occur in FY 17 as a result of this measure are set forth as follows:

- Section 1: \$26,800,000 estimated increase in state sales tax collections
- Section 2: \$6,600,000 estimated increase in income tax collections
- Section 3: \$20,500,000 estimated increase in gross production tax collections

NET REVENUE IMPACT: \$53,900,000 estimated increase in state tax revenues for FY 17.