

OKLAHOMA TAX COMMISSION

**REVENUE IMPACT STATEMENT
FIRST REGULAR SESSION, FIFTY-EIGHTH OKLAHOMA LEGISLATURE**

DATE OF IMPACT STATEMENT: December 2, 2020

BILL NUMBER: SB 72 **STATUS AND DATE OF BILL:** Introduced 12/1/2020

AUTHORS: House n/a Senate Bergstrom

TAX TYPE (S): Sales Tax **SUBJECT:** Tax Incentive

PROPOSAL: Repealer

The measure proposes to repeal 68 O.S. §§ 54001 through 54005, also known as the “Oklahoma Research and Development Incentives Act” which provides a sales/use tax exemption for sales of computers, data processing equipment, related peripherals, telegraph or telecommunications services, and equipment to new and expanding businesses classified under designated industrial group numbers of the Standard Industrial Classification (“SIC”) manual and which meet other requirements set forth in the Act.

EFFECTIVE DATE: November 1, 2021

REVENUE IMPACT:

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

FY 22: None

FY 23: None

Jan. 4, 2021
DATE

Rick Muller
DIVISION DIRECTOR

msm

1/11/2021
DATE

Huan Gong
HUAN GONG, ECONOMIST

1/14/21
DATE

J.D.C.
FOR THE COMMISSION

The revenue impact provided herein is an estimate of the potential impact on the collection or apportionment of tax revenues affected by the proposed legislation. It is not intended to be an estimate of the overall fiscal impact on the state budget if the proposed legislation is enacted.

Attachment to Revenue Impact - SB 72 - [Introduced] - Prepared December 2, 2020

The measure proposes to repeal 68 O.S. §§ 54001 through 54005, also known as the “Oklahoma Research and Development Incentives Act” that provides a sales/use tax exemption for sales of computers, data processing equipment, related peripherals, telegraph or telecommunications services, and equipment to new and expanding businesses classified under SIC Manual Industrial Group Nos. 7372, 7373, 7374 and 7375 (Computer services and data processing) and 8731, 8732, 8733 and 8734 (Research and Development) and which meet certain new employment, salary, sales and purchase criteria. This sales/use tax exemption is perfected through the claim for refund process.¹

Public Financial Management Inc. as part of the review process conducted by the Incentive Evaluation Commission recommended repeal of this exemption for the reason that it is “unnecessary due to the availability of more generous and easier to use incentives.”² The Incentive Evaluation Commission at its November 14, 2019 meeting voted to approve the recommendation that this exemption should be repealed.

The records of the Oklahoma Tax Commission indicate that this exemption has not been utilized in several years. Therefore, no impact to state revenues is expected to occur as a result of this proposal.

¹ A similar exemption, perfected at the point of sale, is provided in Section 1357(21) of Title 68 which exempts sales of machinery and equipment purchased and used by persons and establishments primarily engaged in computer services and data processing:

A. As defined under Industrial Group Numbers 7372 and 7373 of the Standard Industrial Classification (SIC) Manual, latest version, which derive at least fifty percent (50%) of their annual gross revenues from the sale of a product or service to an out-of-state buyer or consumer; and

B. As defined under Industrial Group Number 7374 of the SIC Manual, latest version, which derive at least eighty percent (80%) of their annual gross revenues from the sale of a product or service to an out-of-state buyer or consumer.

² State of Oklahoma Incentive Evaluation Commission, *Tax Incentive Evaluation Report 2019*.