



OKLAHOMA Tax Commission

MEMO

Tax Policy and Research Division

DATE: FEBRUARY 22, 2022
TO: RICK MILLER, DIRECTOR *RAM*
TAX POLICY & RESEARCH DIVISION
FROM: MARC MORRISON
TAX POLICY ANALYST
SUBJECT: PROPOSED SUBCOMMITTEE SUBSTITUTE FOR HB 2931

This is in response to your request for a revenue impact for Proposed Subcommittee Substitute (2) for HB 2931 which does the following:

Section 1 provides that Sections 1 through 8 shall be known as the Human Trafficking and Child Exploitation Prevention Act"

Section 2 defines relevant terms for purposes of the Act including *internet-enabled device* to mean a cellular telephone, computer, data communications device or other product manufactured, distributed or sold in this state that provides Internet access or play a material role in distributing content on the Internet.

Section 3 requires retailers that manufacture, sell, offer for sale, lease, or distribute an Internet-enabled device to ensure that the product is equipped with an active and operating filter prior to sale that blocks by default websites that are known to facilitate human trafficking or prostitution and display child pornography, revenge pornography or obscene material harmful to minors. Retailers of an Internet-enabled device shall deactivate the filter upon request of any consumer presenting personnel identification information that they are 18 years or older who acknowledges receiving a warning regarding the potential danger of deactivating the filter and pays a one-time \$20.00 filter deactivation fee to the retailer. The fee is to be remitted to the Oklahoma Tax Commission ("OTC") on a quarterly basis for deposit into the Oklahoma Human Trafficking and Child Exploitation Prevention fund established pursuant to Section 7. The OTC is charged with administration, payment, collection and enforcement of the fee and authorizes the OTC to annually adjust the one-time fee to account for inflation.

Estimated revenues attributable to such fees described in Section 3 are unknown.

Sections 5 and 6 outline prohibited actions and penalties therefore under the Act and sets forth transactions which are not subject to the provisions of the Act.

Section 7 creates the "Oklahoma Human Trafficking and Child Exploitation Prevention Revolving Fund", where the fees attributable to Sections 3 and 8 are to be apportioned.

Section 8 levies an admission fee of \$5 for each entry by each customer admitted to a live adult entertainment establishment which will be remitted to the OTC on a quarterly basis, no later than the fifteenth day of the month following the close of each calendar quarter.

The State of Texas currently levies an identical fee as the one proposed herein. According to the Texas Comptroller's Office, a total of \$10,125,029 in fees were collected in FY 18. Adjusting for differences in population and median income (10.56%) results in an estimated \$1,069,203 in Oklahoma revenues. However, ABLE mixed beverage licensing reports and information from the OTC Compliance Division indicates that the number of these types of businesses in Oklahoma is well under 100 establishments. In accordance with this research a 50% reduction is applied resulting in an estimated \$534,602 in Oklahoma fee revenues. The measure proposes an effective date of November 1, 2022. Admission fees of \$311,851 and \$534,602 are estimated for FY 23 and FY 24, respectively.

Administrative Costs:

The measure will require 3-4 months to develop and require system changes and updates that will result in an increase of \$108,000 in administrative costs for FY 23.

