

OKLAHOMA TAX COMMISSION

REVENUE IMPACT STATEMENT AND/OR ADMINISTRATIVE IMPACT STATEMENT SECOND REGULAR SESSION, FIFTY-EIGHTH OKLAHOMA LEGISLATURE

DATE OF IMPACT STATEMENT: March 3, 2022

BILL NUMBER: HB 3637

STATUS AND DATE OF BILL: Committee Substitute 03/02/2022

AUTHORS: House Dempsey Senate n/a

TAX TYPE (S): Sales Tax SUBJECT: Exemption

PROPOSAL: Amendatory 68 O.S. § 1358

The measure amends 68 O.S. § 1358 by expanding the agricultural sales tax exemption by including the production of timber, seedling production, and forestry management to the definition of "farming" and including the breeding of game animals which are animals bred to be hunted for sport and food to the definition of "livestock".

EFFECTIVE DATE: November 1, 2022

REVENUE IMPACT:

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

FY 23: See Attached

FY 24: See Attached

Mar. 4, 2022
DATE

Rick Miller
DIVISION DIRECTOR

msm

3/4/2022
DATE

Huan Gong
HUAN GONG, ECONOMIST

3/4/2022
DATE

Joseph P. Barry
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 HB 3637 [Committee Substitute] Prepared 03/03/2022

The measure amends 68 O.S. § 1358 by expanding the agricultural sales tax exemption by including the production of timber, seedling production, and forestry management to the definition of “farming” and including the breeding of game animals which are animals bred to be hunted for sport and food to the definition of “livestock”.

As of January 1, 2022, sales of commercial forestry service equipment, limited to forwarders, fellers, bunchers, track skidders, wheeled skidders, hydraulic excavators, delimbers, soil compactors and skid steer loaders, to businesses engaged in logging, timber and tree farming were made exempt pursuant to the passage of HB 1588. Therefore, a large portion of heavy equipment associated with the timber industry is already exempt from sales tax. However, the amount of land that is currently being used for timber production, seedling production, and forestry management is unknown as are the number of new agricultural permit holders that are to be exempted by this measure. Consequently an unknown decrease in state sales tax revenues is estimated for FY 23 and FY 24.

Based upon information previously received from industry sources, there are an estimated 50 establishments in Oklahoma dedicated solely to the commercial production of deer. Each of these groups on average sell 12 deer per year at an average cost of \$3,500 per deer which results in annual sales of 600 deer with a combined sales price of \$2,100,000. Application of the state sales tax rate results in an estimated decrease of \$94,500 in state sales tax revenues for FY 22.

Industry sources also indicate that the average annual expenditures per farm is \$19,000. Multiplying 50 new farms by the average expenditures per farm, results in total estimated taxable expenditures of \$950,000. Application of the state sales tax rate equals an estimated decrease in state sales tax revenues of \$42,750 for FY 22.

The measure provides for an effective date of November 1, 2022. Application of inflation rate adjustments¹ of 2.5% for FY 23 and 2.3% for FY 24 results in an estimated decrease of \$82,064 in states sales tax revenues for FY 23 and an estimated decrease of \$143,917 in state sales tax revenues for FY 24.

¹ IHS Markit