

OKLAHOMA TAX COMMISSION

**REVENUE IMPACT STATEMENT AND/OR ADMINISTRATIVE IMPACT STATEMENT
FIRST REGULAR SESSION, FIFTY-NINTH OKLAHOMA LEGISLATURE**

DATE OF IMPACT STATEMENT: February 18, 2023

BILL NUMBER: HB 1050 **STATUS AND DATE OF BILL:** Introduced 12/15/2022

AUTHORS: House: Randleman Senate: n/a

TAX TYPE (S): New **SUBJECT:** Tax Levy

PROPOSAL: New Law

Sections 1 and 2 provide that Sections 1 through 8 shall be known as the Human Trafficking and Child Exploitation Prevention Act" and define relevant terms for purposes of the Act. [See attached for detailed explanation]

EFFECTIVE DATE: November 1, 2023

REVENUE IMPACT:

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

FY 24: {See Attached}

FY 25: {See Attached}

ADMINISTRATIVE IMPACT:

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

FY 24: \$108,000 increase in OTC administrative costs

February 18, 2023

DATE

Rick Miller

DIVISION DIRECTOR

msm

2/18/2023

DATE

Huan Gong

HUAN GONG, ECONOMIST

2/20/2023

DATE

Joseph P. Gappa

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 1050 - [Introduced] - Prepared 02/18/2023

Sections 1 and 2 provide that Sections 1 through 8 shall be known as the Human Trafficking and Child Exploitation Prevention Act” and define relevant terms for purposes of the Act.

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 personal identification information verifying 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 filter¹ 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 Grant 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 fees attributable to 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 Grant Fund”, where the fees attributable to Sections 3 and 8 are to be apportioned.

Section 8 levies an admission fee of Five Dollars (\$5.00) 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 fee² 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 \$1,069,137 in Oklahoma revenues. However, ABLE mixed beverage licensing reports and information from the OTC personnel responsible for business compliance indicates that the number of these types of businesses in Oklahoma is well under a 100 establishments. In accordance with this research a 50% reduction is applied resulting in an estimated \$534,569 in Oklahoma fee revenues. The measure proposes an effective date of November 1, 2023. Admission fees of \$311,832 and \$534,569 are estimated for FY 24 and FY 25, respectively.

Administrative Costs:

The measure will require 3-4 months in development and will result in an increase of \$108,000 in administrative costs for FY 24.

¹ “Filter” means digital blocking capability, hardware or software that restricts or blocks Internet access to websites, electronic mail, chat or other Internet-based communications based on category, site or content and may include a digital blinder rack that can be deactivated by a retailer upon the satisfaction of certain nominal conditions.

² Sexually Oriented Business Fee.