

**OKLAHOMA TAX COMMISSION**

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

**DATE OF IMPACT STATEMENT:** April 6, 2021

**BILL NUMBER: HB 2776 STATUS AND DATE OF BILL: Engrossed Bill 3/10/2021**

**AUTHORS:** House Pfeiffer Senate Montgomery

**TAX TYPE (S): Ad Valorem SUBJECT: Other**

**PROPOSAL: Amendatory & New Law**

HB 2776 proposes to amend 62 O.S. § 193 altering how the monies apportioned to the Ad Valorem Reimbursement Fund (“AVRF”) are to be expended. This measure also proposes to create new law establishing the Protecting Revenues for Oklahoma Teachers, Educators and Students (“PROTEST”) Fund.

**EFFECTIVE DATE:** July 1, 2021 - Emergency

**REVENUE IMPACT:**

FY 22: See attached for analysis

FY 23: See attached for analysis

April 6, 2021  
DATE

Rick Miller  
DIVISION DIRECTOR

KLS

4/7/2021  
DATE

Huan Gong  
HUAN GONG, ECONOMIST

4/7/21  
DATE

JDA  
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 2776 [Engrossed] Prepared April 1, 2021

HB 2776 proposes to amend 62 O.S. § 193 altering how the monies apportioned to the AVRF are to be expended. This measure also proposes to create new law establishing the PROTEST Fund.

Section 1 of HB 2776 proposes to create new law establishing the PROTEST Fund. This fund shall be a continuing fund, not subject to fiscal year limitations, and shall consist of all monies received by the State Department of Education from the ad valorem funds which are under protest pursuant to 68 O.S. § 2884. Under this measure, these funds may be budgeted and expended by the State Department of Education for the purposes of providing funding to school districts which are affected by protested ad valorem taxes. Expenditures from this fund shall be made upon warrants issued by the State Treasurer against claims filed as prescribed by law for approval and payment. Claims for reimbursement from the PROTEST Fund shall be made by the board of education of each school district on forms prescribed by the State Department of Education. If the claim is approved by the State Department of Education, funds shall be disbursed to the school district board of education. Once the protested ad valorem funds are settled and disbursed to the school district, the school district board of education shall reimburse the PROTEST Fund.

Section 2 of HB 2776 proposes to amend 62 O.S. § 193 altering how the monies apportioned to the AVRF are to be expended. Currently, the monies apportioned to the AVRF are to be expended to reimburse counties of this state for loss of revenue: (1) due to exemptions of ad valorem taxes for new or expanded manufacturing or research and development facilities, (2) for school district and county purposes due to exemptions granted pursuant to the provisions of 68 O.S. § 2890, and (3) due to decreased valuation and assessment for buffer strips pursuant to 68 O.S. § 2817.2. HB 2776 proposes for the fiscal year ending June 30, 2022, the first \$5,000,000 of revenue derived pursuant to the provisions of Section 1 of this act shall be apportioned to the PROTEST Fund. Any excess revenue in FY 22 and all such revenue for each fiscal year thereafter shall be expended as follows: (1) to reimburse school districts of this state for loss of revenue due to ad valorem funds which are under protest pursuant to 68 O.S. § 2884 by apportioning an amount to ensure the PROTEST Fund balance is not less than \$5,000,000, (2) to reimburse counties of this state for loss of revenue due to exemptions of ad valorem taxes for new or expanded manufacturing or research and development facilities, (2) to reimburse counties of this state for loss of revenue for school district and county purposes due to exemptions granted pursuant to the provisions of 68 O.S. § 2890, and (3) to reimburse counties of this state for loss of revenue due to decreased valuation and assessment for buffer strips pursuant to 68 O.S. § 2817.2.

There is no revenue or administrative impact associated with this measure.

### *Administrative Issues*

This measure raises the following administrative concerns:

- In accordance with 68 O.S. § 2884, there is currently \$88,000,000 in protested ad valorem taxes currently held in escrow by county treasurers. Section 1 of HB 2776 provides that the newly created PROTEST Fund would contain these amounts while the amendatory language appears to allocate a portion of these revenues from the AVRF to the PROTEST Fund. However, no mechanism is provided in this measure to transfer the escrowed amounts from the county treasurer funds to the PROTEST fund or the AVRF. If a portion or all of the escrow funds are to be deposited to the AVRF for subsequent allocation to the PROTEST Fund there are further administrative concerns regarding comingling of and accounting for the escrowed funds and the 1% of income tax collections presently allocated to the AVRF.
- Conversely, if the school claims are intended to be paid with 1% of income tax collections presently allocated to the AVRF, the deposited revenues are insufficient to pay the claims currently filed by local tax jurisdiction including school districts presently subject to reimbursement under 62 O.S. § 193.

- There is no guidance in this measure on how the Department of Education is to disburse the \$5,000,000 if they have more applications for reimbursement than funds to cover such applications.
- The measure does not provide for the scenario where the funds are disbursed to a taxing jurisdiction and the protest is settled for less than what the school district received.