

OKLAHOMA TAX COMMISSION

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

DATE OF IMPACT STATEMENT: February 2, 2023

BILL NUMBER: SB 387 STATUS AND DATE OF BILL: Introduced 01/16/2023

AUTHORS: House: n/a Senate: Rader

TAX TYPE (S): Sales SUBJECT: Exemption

PROPOSAL: Amendatory

The measure proposes to amend 68 O.S. § 1357(14)¹ by expanding the sales tax exemption provided to groups commonly referred to as food banks to include sales of tangible personal property or taxable services consumed or incorporated in the construction of a facility placed in service during calendar year 2023. The exemption includes sales and taxable services to the organization and to any person, entity, contractor, or subcontractor with whom the organization has duly entered into a construction contract necessary for carrying out the contract. Upon proper documentation and verification, the measure further authorizes the OTC to refund sales taxes paid on purchases that would otherwise qualify for the described exemption but occurred prior to November 1, 2023 – the effective date of the act.

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: \$483,000 decrease in state sales tax collections

Feb. 5, 2023
DATE

Rick Miller
DIVISION DIRECTOR

bjs

2/6/2023
DATE

Huan Gong
HUAN GONG, ECONOMIST

2/7/2023
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.

¹ Currently 68 O.S. § 1357(14) exempts sales of tangible personal property or services to or by organizations which are exempt from taxation pursuant to the provisions of Section 501(c)(3) of the Internal Revenue Code, 26 U.S.C., Section 501(c)(3), and are primarily involved in the collection and distribution of food and other household products to other organizations that facilitate the distribution of such products to the needy and such distributee organizations are exempt from taxation pursuant to the provisions of Section 501(c)(3) of the Internal Revenue Code, 26 U.S.C., Section 501(c)(3), or facilitate the distribution of such products to the needy. Sales made in the course of business for profit or savings, competing with other persons engaged in the same or similar business are not exempt under paragraph 14.

ATTACHMENT TO REVENUE IMPACT – SB 387 [Introduced] Prepared 2/2/2023

The measure proposes to amend 68 O.S. § 1357(14)² by expanding the sales tax exemption provided to groups commonly referred to as food banks to include sales of tangible personal property or taxable services consumed or incorporated in the construction of a facility placed in service during calendar year 2023. The exemption includes sales and taxable services to the organization and to any person, entity, contractor, or subcontractor with whom the organization has duly entered into a construction contract necessary for carrying out the contract. Upon proper documentation and verification, the measure further authorizes the OTC to refund sales taxes paid on purchases that would otherwise qualify for the described exemption but occurred prior to November 1, 2023 – the effective date of the act.

Currently, there is one known organization which has constructed a facility to be placed in service in calendar year 2023. Information obtained from this organization indicates that \$928,901 was paid by eligible persons in state and local [city/county] sales tax on purchases of facility construction materials. Of this amount 52% or \$483,028 is attributed to state sales tax. Therefore, assuming all related refund claims are filed, processed and paid between November 1, 2023 and June 30, 2024, a decrease of \$483,028 in state sales tax collections is estimated for FY 24.

² Currently 68 O.S. § 1357(14) exempts sales of tangible personal property or services to or by organizations which are exempt from taxation pursuant to the provisions of Section 501(c)(3) of the Internal Revenue Code, 26 U.S.C., Section 501(c)(3), and are primarily involved in the collection and distribution of food and other household products to other organizations that facilitate the distribution of such products to the needy and such distributee organizations are exempt from taxation pursuant to the provisions of Section 501(c)(3) of the Internal Revenue Code, 26 U.S.C., Section 501(c)(3), or facilitate the distribution of such products to the needy. Sales made in the course of business for profit or savings, competing with other persons engaged in the same or similar business are not exempt under paragraph 14.