

OKLAHOMA TAX COMMISSION

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

DATE OF IMPACT STATEMENT: February 2, 2021 (Revised)

BILL NUMBER: SB 411 **STATUS AND DATE OF BILL:** Introduced 1/14/2021

AUTHORS: House n/a Senate Bergstrom

TAX TYPE (S): Sales Tax **SUBJECT:** Exemption

PROPOSAL: Amendatory & Repealer

Section 1 of the measure proposes to amend Section 1359(7) of Title 68 by removing the sales/use tax exemption for sales of tangible personal property to a qualified manufacturer¹ to be consumed or incorporated in a new manufacturing facility or to expand an existing facility.

Section 2 proposes to repeal Section 1359.1 of Title 68 which provides for the refund procedures to perfect the qualified manufacturer sales/use tax exemption. It also proposes to repeal 68 O.S. § 1359.2 which provides for the manufacturers sales tax exemption permit for purposes of documenting eligibility for the sales tax exemption afforded manufacturers pursuant to 68 O.S. § 1359(1).

EFFECTIVE DATE: November 1, 2021

REVENUE IMPACT:

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

FY 22: Section 1: None
Section 2: None
FY 23: Section 1: None
Section 2: None

Feb. 2, 2021

DATE

Rick Miller

DIVISION DIRECTOR

msm

2/2/2021

DATE

Huan Gong

HUAN GONG, ECONOMIST

2/2/21

DATE

[Signature]

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 For purposes of this paragraph, sales made to a contractor or subcontractor that has previously entered into a contractual relationship with a qualified manufacturer for construction or expansion of a manufacturing facility shall be considered sales made to a qualified manufacturer.

Attachment to Revenue Impact – SB 411 - [Introduced] - Prepared February 2, 2021 (Revised)

Section 1 of the measure proposes to amend Section 1359(7) of Title 68 by removing the sales/use tax exemption for sales of tangible personal property to a qualified manufacturer² to be consumed or incorporated in a new manufacturing facility or to expand an existing facility.

Section 2 proposes to repeal Section 1359.1 of Title 68 which provides for the refund procedures to perfect the qualified manufacturer sales/use tax exemption. It also proposes to repeal 68 O.S. § 1359.2 which provides for the manufacturers sales tax exemption permit for purposes of documenting eligibility for the sales tax exemption afforded manufacturers pursuant to 68 O.S. § 1359(1).

Public Financial Management, Inc. as part of the review process conducted by the Incentive Evaluation Commission recommended repeal of this exemption for the reason that “the Quality Jobs Program has likely made this program [exemption] (at least in terms of actual use) unnecessary.”³ The Tax Commission reported to the IEC that this exemption has not been utilized in the last five fiscal years. The Incentive Evaluation Commission (“IEC”) at its November 14, 2019 meeting voted to approve the recommendation that this exemption should be repealed.

Subsequent to the recommendation of the IEC, one entity has applied and been granted the sales tax exemption for qualified manufacturers. The repeal of this measure should not impact applicant’s exemption since their qualification predates the effective date of the proposal. No impact to state revenues is estimated.

However, the provisions contained in Section 1359.2 relate to the issuance of the manufacturers sales tax exemption permit for purposes of documenting proof of eligibility for another sales tax exemption afforded manufacturers in 68 O.S. § 1359(1) and should not be repealed since it is unrelated to the exemption allowed qualified manufacturers pursuant to 68 O.S. § 1359(7).

² For purposes of this paragraph, sales made to a contractor or subcontractor that has previously entered into a contractual relationship with a qualified manufacturer for construction or expansion of a manufacturing facility shall be considered sales made to a qualified manufacturer.

³ State of Oklahoma Incentive Evaluation Commission, *Tax Incentive Evaluation Report 2019*.