

Bill Summary
1st Session of the 57th Legislature

Bill No.:	SB 310
Version:	CS1
Request No.:	1955
Author:	Sen. Simpson
Date:	02/26/2019

Committee Substitute (CS)

The CS for SB 310 modifies the sales tax exemption for the sale of tangible personal property services to Oklahoma veterans. The measure broadens eligibility for the exemption to include veterans who sustain their disability from medical treatment or vocational rehabilitation services provided by the United States Department of Veterans Affairs or its service providers. The CS requires the veteran to have sustained his or her injuries in the course of his or her duties and receive compensation for an injury rated as 100% total and permanent disability. The measure increases the cap on qualifying purchases for surviving dependents of a veteran, provided the veteran is deceased and the spouse has not remarried from \$1,000.00 to \$5,000.00 per year.

Prepared by: Kalen Taylor

Fiscal Analysis

FY'20 Impact: Negative \$399,558 to sales/use tax revenue

Full year Impact: Negative \$702,080 to sales/use tax revenue

The proposed CS Expands the sales tax exemption for 100% disabled veterans by increasing the exempt purchases for a surviving spouse from \$1,000 to \$5,000 and by including veterans injured while in the care of the U.S. Department of Veterans Affairs (treatment or rehab).

Prepared by: Oklahoma Tax Commission

MEMORANDUM

OKLAHOMA TAX COMMISSION TAX POLICY DIVISION

Date: February 26, 2019
To: Rick Miller, Director
Tax Policy Division
From: Brenda Sullivan
Tax Policy Analyst
Subject: SB 310 PCS

This is in response to your request for revenue impact for the Proposed Committee Substitute for SB 310 which proposes to amend the sales tax exemption for an unremarried surviving spouse of a veteran qualifying for exemption under Section 1357(34) of Title 68 by increasing purchases qualifying for exemption from \$1,000 to \$5,000 per year. The proposal also expands this sales tax exemption to include sales of tangible personal property or services to persons who have been honorably discharged from active service in any branch of the Armed Forces of the United States or Oklahoma National Guard which have been awarded service-connected disability compensation rated at 100% which is permanent and total and have sustained their disability from medical treatment or vocational rehabilitation services provided the U.S. Department of Veterans Affairs or its service providers as provided in Section 1151¹ of Title 38 of the United States Code. The exemption is subject to an annual \$25,000 sales allowance.

The records of the Oklahoma Tax Commission indicate that 3650 surviving spouses have qualified for exemption pursuant to Section 1357(34) of Title 68. Multiplying the 3650 eligible persons by the increased sales limitation amount of \$4,000 and applying the state sales tax rate results in a decrease in state sales tax revenues of \$657,000. [$3650 \times \$4,000 \times 4.5\% = \$657,000$].

The Oklahoma Department of Veterans Affairs ("ODVA") advised that compensation awarded under the cited provision is based on a disability rating in the same manner as active-duty disability compensation. Information received from ODVA indicates that approximately 10 Oklahoma veterans receiving Section 1151 disability benefits could potentially qualify for the sales tax exemption under the proposed parameters. Multiplying the 10 eligible veterans by the expenditure threshold limitation of \$25,000, results in total annual sales taxable expenditures of \$250,000 for FY 19. Applying the state sales tax rate of 4.5% yields a decrease in state sales tax collections of \$11,250.

Net Revenue Impact

The measure proposes an effective date of November 1, 2019. Application of inflation rate adjustments of 2.5%, results in an estimated decrease in state sales tax collections of \$399,558 for FY 20² and \$702,080 for FY 21 (again applying a 2.5% inflation rate adjustment).

¹38 USC § 1151 provides in pertinent part as follows:

(a) Compensation under this chapter and dependency and indemnity compensation under chapter 13 of this title shall be awarded for a qualifying additional disability or a qualifying death of a veteran in the same manner as if such additional disability or death were service-connected. For purposes of this section, a disability or death is a qualifying additional disability or qualifying death if the disability or death was not the result of the veteran's willful misconduct and—

(1) the disability or death was caused by hospital care, medical or surgical treatment, or examination furnished the veteran under any law administered by the Secretary, either by a Department employee or in a Department facility as defined in section 1701(3)(A) of this title, and the proximate cause of the disability or death was—

(A) carelessness, negligence, lack of proper skill, error in judgment, or similar instance of fault on the part of the Department in furnishing the hospital care, medical or surgical treatment, or examination; or

(B) an event not reasonably foreseeable; or

(2) the disability or death was proximately caused (A) by the provision of training and rehabilitation services by the Secretary (including by a service-provider used by the Secretary for such purpose under section 3115 of this title) as part of an approved rehabilitation program under chapter 31 of this title, or (B) by participation in a program (known as a "compensated work therapy program") under section 1718 of this title.

² Includes seven months of sales tax collections.

OKLAHOMA TAX COMMISSION

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

DATE OF IMPACT STATEMENT: March 5, 2019

BILL NUMBER: SB 310 **STATUS AND DATE OF BILL:** Committee Substitute 02/26/2019

AUTHORS: House n/a Senate Simpson

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

PROPOSAL: Amendatory

The measure proposes to amend the sales tax exemption for an unremarried surviving spouse of a veteran qualifying for exemption under Section 1357(34) of Title 68 by increasing purchases qualifying for exemption from \$1,000 to \$5,000 per year. The proposal also expands the sales tax exemption outlined in Section 1357(34) to include sales of tangible personal property or services to persons who have been honorably discharged from active service in any branch of the Armed Forces of the United States or Oklahoma National Guard which have been awarded service-connected disability compensation rated at 100% which is permanent and total and have sustained their disability from medical treatment or vocational rehabilitation services provided by the U.S. Department of Veterans Affairs or its service providers as provided in Section 1151¹ of Title 38 of the United States Code. The exemption is subject to an annual \$25,000 sales allowance.

EFFECTIVE DATE: November 1, 2019

REVENUE IMPACT:

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

FY 20: \$400,000 decrease in state sales tax collection

FY 21: \$702,000 decrease in state sales tax collection

Mar. 7, 2019
DATE

Rick Miller
DIVISION DIRECTOR

bjs

3-11-2019
DATE

Huan Gong
HUAN GONG, ECONOMIST

3-12-19
DATE

[Signature]
FOR THE COMMISSION

The estimated 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.

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(2) the disability or death was proximately caused (A) by the provision of training and rehabilitation services by the Secretary (including by a service-provider used by the Secretary for such purpose under section 3115 of this title) as part of an approved rehabilitation program under chapter 31 of this title, or (B) by participation in a program (known as a "compensated work therapy program") under section 1718 of this title.

ATTACHMENT TO REVENUE IMPACT – SB 310 – [Committee Substitute] – Prepared 03/05/2019

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