

# MEMORANDUM

## OKLAHOMA TAX COMMISSION TAX POLICY DIVISION

Date: February 18, 2020  
To: Rick Miller, Director *RAM*  
Tax Policy Division  
From: Brenda Sullivan  
Tax Policy Analyst  
Subject: SB 1703 Committee Amendment

This is in response to your request for a revenue impact for the Committee Amendment for SB 1703. The Committee Amendment changes the effective date of the bill from 11/1/2020 to 7/1/2021.

The measure proposes amendment to 68 O.S. § 1356(10) & (30) to exempt the following transactions:

- Sales to persons who have entered into a public contract with University Hospitals Trust.
- Transfer of services by the University Hospitals Trust along with the transfer of tangible personal property and services to or by nonprofit entities which are exempt from taxation pursuant to the provisions of the Internal Revenue Code, 26 U.S.C., Section 501(c)(3) which have entered into a joint operating agreement with the University Hospitals Trust.

Information received from the University Hospitals Trust states that pursuant to a fifteen month examination of its records – July 2018 through September 2019 - state and local sales tax in the amount of \$27,600 was remitted by contractors/subcontractors on purchases made for purposes of fulfilling public contracts with the Trust. Of this amount 53% or \$14,628 is attributed to state sales tax. This information also reflects that the nonprofit entity with whom University Hospitals Trust has entered into an operating agreement remitted \$10,500,000 in state sales tax for purchases of tangible personal property and taxable services in FY 19 but did not make any taxable sales during this period.

### **Net Revenue Impact**

The combined decrease in state sales tax associated with this measure equals \$10,514,628. Application of inflation rate adjustments of 1.9%<sup>1</sup> results in an estimated decrease in state sales tax collections of \$11,125,421 for FY 22.

<sup>1</sup> Based on latest version of the Consumer Price Index-All Urban Consumers