

Fiscal Impact
2nd Session of the 57th Legislature

Bill No.:
Version:
Author:
Date:

SB 1703
INT
Sen. Smalley
02/12/2020

OKLAHOMA TAX COMMISSION

REVENUE IMPACT STATEMENT
SECOND REGULAR SESSION, FIFTY-SEVENTH OKLAHOMA LEGISLATURE

DATE OF IMPACT STATEMENT: February 12, 2020

BILL NUMBER: SB 1703 **STATUS AND DATE OF BILL:** Introduced 01/16/2020

AUTHORS: House n/a Senate Smalley

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

PROPOSAL: Amendatory

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.

EFFECTIVE DATE: November 1, 2020

REVENUE IMPACT:

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

FY 21: \$6,369,000 decrease in state sales tax collections
FY 22: \$11,125,000 decrease in state sales tax collections

Feb. 12, 2020
DATE

Rick Miller
DIVISION DIRECTOR bjs

2/12/2020
DATE

Huan Gong
HUAN GONG, ECONOMIST

2/12/2020
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.

ATTACHMENT TO REVENUE IMPACT –SB 1703 – [Introduced] – Prepared 02/12/2020

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- 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 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. The measure proposes an effective date of November 1, 2020. Application of inflation rate adjustments of 1.9%¹ results in an estimated decrease in state sales tax collections of \$ 6,368,821 for FY 21² and \$11,125,421 for FY 22 (again applying a 1.9% inflation rate adjustment).

¹ Based on latest version of the Consumer Price Index-All Urban Consumers

² Includes seven months of sales tax collections.