

Fiscal Impact
1st Session of the 57th Legislature

Bill No.:
Version:
Author:
Date:

SB 310
HASB
Sen. Simpson
05/03/2019

OKLAHOMA TAX COMMISSION

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

DATE OF IMPACT STATEMENT: April 29, 2019

BILL NUMBER: SB310 STATUS AND DATE OF BILL House Amendments to Senate Bill 04/242019

AUTHORS: House Miller Senate Simpson

TAX TYPE (S): Sales Tax SUBJECT: Exemption

PROPOSAL: Amendatory

The measure proposes amendment to Section 1357(34) of Title 68 by expanding the sales tax exemption for qualifying 100% disabled veterans and their surviving spouse 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 1151 of Title 38 of the United States Code. The exemption is subject to an annual \$25,000 sales allowance.
- Sales of tangible personal property or services to a surviving spouse who has not remarried and has been awarded Dependency and Indemnity Compensation pursuant to Section 1318 of Title 38 of the United States Code at any time after the death of their veteran spouse. The exemption is subject to an annual \$5,000 sales allowance.

The measure also proposes to increase the annual purchase allowance from \$1,000 to \$5,000 for unremarried surviving spouses of a veteran qualifying for exemption under Section 1357(34) of Title 68. It further specifies that the exemption provided for in paragraph 34 of Section 1357 shall not confer a right to obtain a refund of sales taxes from the Oklahoma Tax Commission collected prior to a person's sales tax exemption eligibility date.

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: \$879,000 decrease in state sales tax collection
FY 21: \$1,520,000 decrease in state sales tax collection

Apr. 30, 2019
DATE

Rick Miller
DIVISION DIRECTOR bjs

5-1-2019
DATE

Huan Gong
HUAN GONG, ECONOMIST

5-1-19
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.

ATTACHMENT TO REVENUE IMPACT –SB 310 – [HASB] – Prepared 04/29/2019

The measure proposes amendment to Section 1357(34) of Title 68 by expanding the sales tax exemption for qualifying 100% disabled veterans and their surviving spouse 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 1151 of Title 38 of the United States Code.¹ The exemption is subject to an annual \$25,000 sales allowance.
- Sales of tangible personal property or services to a surviving spouse who has not remarried and has been awarded Dependency and Indemnity Compensation pursuant to Section 1318 of Title 38 of the United States Code at any time after the death of their veteran spouse. The exemption is subject to an annual \$5,000 sales allowance.

The measure also proposes to increase the annual purchase allowance from \$1,000 to \$5,000 for unremarried surviving spouses of a veteran qualifying for exemption under Section 1357(34) of Title 68.

It further specifies that the exemption provided for in paragraph 34 of Section 1357 shall not confer a right to obtain a refund of sales taxes from the Oklahoma Tax Commission collected prior to a person's sales tax exemption eligibility date.

The Oklahoma Department of Veterans Affairs ("ODVA") advised that compensation awarded under the 38 USC § 1151 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.

Based on U.S. Department of Veterans Affairs information, 9,760 surviving spouses and surviving dependents are in receipt of Dependency and Indemnity Compensation. Department of Veteran Affairs has advised that it does not separately account for surviving spouses and surviving dependents receiving the described benefits. For purposes of this impact it is assumed that 25% or 2,440 of these persons are surviving dependents. OTC records indicate that 3669 persons may already be sales tax exempt as a surviving spouse of a 100% disabled veteran leaving 3,651

¹ 38 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.

surviving spouses which could qualify for the proposed exemption. Multiplying the 3,651 surviving spouses by the expenditure threshold limitation of \$5,000, results in total annual sales taxable expenditures of \$18,255,000 for FY 19. Applying the state sales tax rate of 4.5% yields a decrease in state sales tax collections of \$821,475.

The Oklahoma Tax Commission records indicate that 3669 surviving spouses have qualified for exemption pursuant to Section 1357(34) of Title 68. Multiplying the 3669 eligible persons by the increase in the sales limitation amount of \$4,000 and applying the state sales tax rate results in a decrease in state sales tax revenues of \$660,420. [$3669 \times \$4,000 \times 4.5\% = \$660,420$].

Net Revenue Impact

The measure proposes an effective date of November 1, 2019. Application of a growth rate adjustment of .89%² results in an estimated decrease in state sales tax collections of \$878,753 for FY 20³ and \$1,519,841 for FY21 (again applying a .89% growth rate adjustment).

² Based on an annual comparison of surviving spouses exempted under Section 1357(34) of Title 68 and persons receiving Dependency and Indemnity Compensation, an average annual growth in eligible persons qualifying for exemption under this section is estimated at .89%.

³ Includes seven months of sales tax collections.