

**OKLAHOMA TAX COMMISSION**

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

**DATE OF IMPACT STATEMENT:** January 19, 2021

**BILL NUMBER:** SB 275 **STATUS AND DATE OF BILL:** Introduced 1/6/2021

**AUTHORS:** House n/a Senate Thompson

**TAX TYPE (S):** n/a **SUBJECT:** Administrative and Apportionment

**PROPOSAL:** Amendatory, New Law, Repealer

SB 275 proposes to create the Special Investigative Unit Auditing Revolving Fund in the State Treasury for the State Auditor and Inspector. The proposal amends 11 O.S. §17-105 to require the Oklahoma Tax Commission to remit a municipality’s monthly allocations of gasoline taxes to the Fund if the municipality fails to file a copy of its audit or agreed-upon-procedures within one year after the close of the fiscal year in the case of an annual audit, or the second fiscal year of a biennial audit period. The proposal further increases the current \$25,000 annual revenue threshold for a municipality that is required to complete a financial statement audit or agreed-upon-procedures engagement to \$50,000, and repeals 11 O.S. §17-108, which exempts trusts of which a city or town is the beneficiary from annual financial statement audit and reporting requirements.

**EFFECTIVE DATE:** August 27, 2021<sup>1</sup>

**REVENUE IMPACT:**

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

FY 22: None.  
FY 23: None.

Jan. 29, 2021  
DATE

Rick Miller  
DIVISION DIRECTOR

bdf

2/1/2021  
DATE

Huan Gong  
HUAN GONG, ECONOMIST

2/1/21  
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.*

<sup>1</sup> No effective date is specified for the proposal. The August 27, 2021, effective date assumes the Legislature adjourns sine die, as presently scheduled on May 28, 2021.

## ATTACHMENT TO REVENUE IMPACT - SB 275 [Introduced] Prepared 1/19/2021

SB 275 proposes to create the Special Investigative Unit Auditing Revolving Fund (Fund) in the State Treasury for the State Auditor and Inspector (SA&I). The proposal amends 11 O.S. §17-105 to require the Oklahoma Tax Commission (OTC) to remit a municipality's monthly allocations of gasoline taxes to the Fund if the municipality fails to file a copy of its audit or agreed-upon-procedures within one year after the close of the fiscal year in the case of an annual audit, or the second fiscal year of a biennial audit period. The proposal further increases the current \$25,000 annual revenue threshold for a municipality that is required to complete a financial statement audit or agreed-upon-procedures engagement to \$50,000, and repeals 11 O.S. §17-108, which exempts trusts of which a city or town is the beneficiary from annual financial statement audit and reporting requirements.

Section 1 amends 11 O.S. §17-105 to increase the current \$25,000 annual revenue threshold for a municipality that is required to complete a financial statement audit or agreed-up procedures engagement to \$50,000. A municipality that meets the annual revenue threshold with a population of 2,500 or more is required to complete an annual financial statement audit, while a municipality that meets the annual revenue threshold with a population of fewer than 2,500 is required to complete either a biennial financial statement audit or a biennial agreed-upon-procedures engagement that covers the 2 preceding years.

Municipal income threshold requirements do not include certain public trusts with a municipality as the beneficiary of the trust. However, income from trusts established principally for the purpose of operating electric, water, wastewater and sanitation utilities are included for purposes of municipal income requirements.

Section 2 amends 11 O.S. §17-107 to require the OTC to remit a municipality's monthly allocations of gasoline taxes to the Special Investigative Unit Auditing Revolving Fund if a municipality fails to file a copy of its audit or agreed-upon procedures within one year after the close of the fiscal year in the case of an annual audit, or the second fiscal year of a biennial audit period.

Currently, if a municipality fails to file a copy of its audit or agreed-upon procedures within two years, its allocations of gasoline taxes are remitted to the county in which the incorporated city or town is located and deposited to the county highway fund of that county to be used as otherwise provided by law.

Section 3 creates the Special Investigative Unit Auditing Revolving Fund (Fund) in the State Treasury for the SA&I. The Fund is a continuing fund, not subject to fiscal year limitations, and consists of all monies received by the SA&I from funds withheld from a municipality's allocations of gasoline taxes and all monies received from legislative appropriations<sup>2</sup>.

All monies accruing to the credit of the Fund may be budgeted and expended by the SA&I for the purpose of offsetting expenses incurred from special investigative audit activities relating to municipal government. Warrants may be issued from the Fund for claims filed with the Director of the Office of Management and Enterprise Services for approval and payment.

Section 4 repeals 11 O.S. §17-108, which exempts trusts of which a city or town is the beneficiary from annual financial statement audit and reporting requirements.

No revenue impact is expected as a result of this proposed legislation.

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<sup>2</sup> No monies are appropriated to the Fund under this proposal.