

BILL SUMMARY
1st Session of the 59th Legislature

Bill No.:	HB1389
Version:	SUBPCS1
Request Number:	7350
Author:	Bashore
Date:	2/13/2023
Impact:	FY24: \$9,359,768 decrease in motor vehicle collections FY25: \$14,039,652 decrease in motor vehicle collections Administrative Cost: \$93,500

Research Analysis

Pending

Prepared By: House Research Staff

Fiscal Analysis

HB1389, in its current form, modifies the calculation of motor vehicle excise tax. HB1389 proposes that the tax be calculated using the value of the vehicle after discounts or credits are applied for a trade-in. This measure is expected to decrease state revenues by \$9,359,768 in fiscal year 2024 and \$14,039,652 in fiscal year 2025. There exists an additional administrative cost of \$93,500, increasing state appropriations by the \$93,500.

As provided by Service Oklahoma:

Research by R.L. Polk indicates that six years is the average length of time drivers keep a new vehicle. Over a six-year period studies show that a new car generally loses approximately 60% of its original value. Service Oklahoma records indicate that new motor vehicle dealers sold 115,186 new cars in FY 22, Kelley Blue Book estimates the average price of a new car was \$48,861¹ in November of 2022. Application of a 60% value reduction to the average purchase price of \$48,861 equates to the average value of a six-year-old vehicle of \$19,544. Research demonstrates that generally the trade-in value of a vehicle is reduced by about 20% by the dealer yielding an average trade-in vehicle allowance of \$15,636.

Research conducted for this fiscal impact analysis indicated that the **43% of new cars**² sold had a single trade-in vehicle associated with the transaction and **22% of used cars** had a trade-in associated with the transaction.

The proposal provides for a November 1, 2023 effective date and assuming similar vehicle transactions in FY 24 and FY 25 as occurred in FY 22, an estimated decrease of \$9,359,767.73 in motor vehicle sales tax collections is projected for FY 24 [$\$14,039,651.60 / 12 \times 8 \text{ months} = \$9,359,767.73$] progressing to the full estimated decrease of \$14,039,651.60 in motor vehicle sales tax revenues for FY 25.

Prepared By: Zachary Penrod, House Fiscal Staff

Other Considerations

None.

