

**BILL SUMMARY**  
1<sup>st</sup> Session of the 59<sup>th</sup> Legislature

<b>Bill No.:</b>	<b>SB984</b>
<b>Version:</b>	<b>ENGR</b>
<b>Request Number:</b>	
<b>Author:</b>	<b>Rep. Newton</b>
<b>Date:</b>	<b>4/6/2023</b>
<b>Impact:</b>	<b>FY24: \$9,359,767.73</b>
	<b>FY25: \$14,039,651.60</b>
	<b>Administrative: \$62,500</b>

**Research Analysis**

Engrossed SB984 changes the formula for the levy of the 1.25 percent sales tax on motor vehicles when the purchase transaction includes a trade-in vehicle. Sales and use tax for such sales will only be levied on the purchase price of the new vehicle minus the value of the trade-in vehicle.

Prepared By: Quyen Do

**Fiscal Analysis**

In its current form, SB984 updates the formula for the levy of the 1.25 percent sales tax on motor vehicles when the purchase transaction includes a trade-in vehicle. Officials from Service Oklahoma estimate a decrease in motor vehicle tax collections of \$9,359,767.73 for fiscal year 2024 and \$14,039,651.60 for fiscal year 2025. Service Oklahoma also anticipates an additional administrative cost of \$62,500 for implementation.

As provided by Service Oklahoma:

Research conducted for this fiscal impact analysis indicated that the **43% of new cars<sup>2</sup>** sold had a single trade-in vehicle associated with the transaction, when this figure is applied there is an estimated decrease of \$9,680,360.40 in associated motor vehicle tax collections. The language in **SB924 applies to all car sales**. When applying the same analysis applied above to used car sales (estimated 215,380 used cars sold in OK in FY 22, Kelley Blue Book estimated average used car value of \$23,000 in November of 2022, and an estimated **22% of used car sales** involving a trade in) there is an additional estimated decrease of \$4,359,291.20 in associated motor vehicle tax collections for a combined impact of \$14,039,651.06.

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.

