



2017 Session Overview

**FIRST REGULAR SESSION OF THE
56TH LEGISLATURE**

Oklahoma House of Representatives

Research Division

Final Edition – June 12, 2017

Introduction	1
Alcohol Modernization	2
Criminal Justice	2
Economic Development and Tourism	3
Education	3
Common Education	3
Teacher Retirement	5
Energy	5
General Government	5
Elections	6
County and Municipal Government	6
Health and Human Services	6
Children and Families	6
Health	7
Insurance	7
Public Safety and Judiciary	8
Public Safety	8
Judiciary	9
Revenue and Taxation	9
Veterans and Military Affairs	11

Introduction

For the fourth straight year the state of Oklahoma faced a revenue shortfall that would ultimately consume the majority of lawmaker’s time and attention. Legislators returned to the Capitol in February knowing they would have nearly \$900

million fewer dollars to appropriate for FY 2018. While there was general agreement that agencies could not endure further cuts, disagreement on how to raise revenue and adequately fund state government led to myriad compromise measures to ensure that the Legislature met its constitutional duty to pass a balanced budget prior to sine die adjournment. In the end, legislators agreed to add recurring revenue by imposing a fee on the purchase of cigarettes and professional sporting event tickets and reducing part of the sales tax exemption on new and used cars.

Other significant revenue measures reduced or ended numerous incentives for oil, gas and wind companies, increased tax compliance efforts for all tax types and renewed the successful voluntary disclosure initiative to encourage delinquent taxpayers to come forward. Together, these efforts are expected to generate nearly \$500 million to help narrow the budget gap and allow 15 state agencies that provide core services to receive flat or modest funding increases. The average cut for remaining agencies is 4.2 percent. The total appropriation for FY 2018, excluding supplementals, is \$6.85 billion.

Lawmakers also took action to authorize the use of REAL ID-compliant driver licenses and identification cards in the state; establish the

framework for a new federally compliant A-F School Grading System; prohibit the use of tanning facilities by minors; and authorize out-of-state insurers to issue accident and health policies in Oklahoma.

Alcohol Modernization

Several measures became law this session in anticipation of the major changes in how Oklahoma addresses alcoholic beverage sales in 2018. **SB 646** provides an exception to the Low-Point Beer Distribution Act for a licensed wholesaler to sell low-point beer to a retailer who holds a permit from the Oklahoma Tax Commission, regardless of whether or not the retailer holds a valid permit from the district court. No licensee has an obligation to independently determine the validity of another business' license that has been issued by the Alcoholic Beverage Laws Enforcement Commission. The measure also allows winemaker license-holders to sell their products for either on-premises or off-premises consumption. No licensee is to be held liable for engaging in business with any other retailer, mixed beverage, beer and wine, caterer, public event or special event licensee, bottle club, manufacturer, wholesaler or Class B wholesaler solely because the other party has failed to pay any occupational tax due. The bill states that a manufacturer is permitted to sell beer or cider to a beer distributor holding a valid interim license after September 1, 2018. Wholesaler license-holders are restricted to not more than three self-owned or leased bonded warehouses. The measure provides additional requirements for nonresident manufacturers or sellers to sell its products in the state.

HB 1540 allows a person possessing a winemaker license to sell wine produced at the winery for either on-premises or off-premises consumption. The measure allows the winemaker license-holder to sell and serve Oklahoma-manufactured wine mixed with nonalcoholic beverages or food items such as water, sugar, fruits and vegetables, at any temperature for either on-premises or off-premises consumption. The measure deletes the requirement that a person obtain a Direct

Wine Consumer's Permit and requires that the Direct Wine Shipper permit-holders verify electronically or otherwise that the consumer is at least 21 years of age.

SB 411 authorizes the sale and sampling of beer at licensed breweries between the hours of 10 a.m. and 2 a.m. The measure allows retail spirit license-holders to sell alcoholic beverages between the hours of 8 a.m. and midnight, and retail wine and retail beer license-holders to sell beer or wine between the hours of 6 a.m. and 2 a.m.

SB 211 provides that sales of alcoholic beverages on Sundays by retail spirits licensees will be unlawful in any county of this state, unless approved by a majority of registered voters of the county at a special election called by the board of county commissioners or a General Election. If approved, sales may occur on Sundays between noon and midnight.

Criminal Justice

The Legislature enacted several measures dealing with the criminal justice system. **HB 1121** creates the Oklahoma Domestic Violence Court Act of 2017, which allows any district or municipal court to establish a domestic violence court program and appoint a judge to preside over matters that arise in the context of domestic violence. A related measure, **HB 1466**, creates a procedure to allow the victim of domestic violence to transfer wireless telephone accounts or household utility accounts to their name when the account was previously in someone else's name. A court order containing relevant information is sent to the wireless service provider or household utility provider to transfer the account.

HB 1468 creates the "Hidden Predator Act." The measure provides that the prosecution of rape, forcible sodomy and other related sex crimes must be commenced by the 45th birthday of the alleged victim and deletes the requirement that the victim notify law enforcement within 12 years after the discovery of the crime. The measure provides that no prosecution may be based solely upon a victim's

memories recovered through psychotherapy and establishes that any person who knowingly and willfully makes a false claim shall be, upon conviction, guilty of a felony.

HB 1123 makes it a misdemeanor to trespass on property containing a critical infrastructure facility that is punishable by up to six months imprisonment, a fine of not less than \$1,000, or both. If it is determined the intent of the trespasser is to willfully damage or tamper with equipment, or impede operations of the facility, the punishment rises to a felony punishable by up to one year imprisonment, a fine of not less than \$10,000, or both. If a trespasser actually damages or tampers with equipment, the crime becomes a felony, punishable by imprisonment of not more than 10 years, a fine of \$100,000, or both. If an organization is found to be a conspirator with persons who are found to have committed any of the trespassing crimes described, the conspiring organization is to be punished by a fine that is 10 times the amount of the fine authorized by the appropriate provision of law.

SB 342 creates a task force to oversee an analysis of existing laws, policies and practices relating to fines, fees and costs assessed on persons interacting with the criminal justice process. The 12-member task force is to examine the percentage of owed fines, fees and costs that are actually paid, as well as how local and state governmental budgets are supported by these fines, fees and costs. The task force is to submit a report of its findings and recommendations by November 30, 2019.

Economic Development and Tourism

Lawmakers authorized the creation and extension of several tax credits to bring new tourism attractions to the state and show their support and commitment to the growth of the aerospace industry.

HB 2131 creates the Oklahoma Economic Development Act of 2017, which establishes a

framework for the Oklahoma Tourism and Recreation Department to offer inducements in the form of sales tax credits to companies for creating or expanding tourism attractions in the state. The credit reimburses between 10 to 25 percent of the approved costs for a project, which depends on the amount of qualified expenditures by the company for the project, and is capped \$15 million each year.

SB 120 extends the sunset date of three tax credits that benefit aerospace engineers and their employers until tax year 2025. The extended credits provide an income tax credit equal to:

- 50 percent of the tuition reimbursed by an employer for a qualified employee;
- 10 percent of the compensation paid to a qualified employee who graduated from a state college for the first through fifth year of employment; and
- \$5,000 per year for up to five years for every qualified aerospace employee.

SB 872 allows the director of the Office of Management and Enterprise Services to certify that at least \$10 million has been deposited into the American Indian Cultural Center and Museum Completion Fund, satisfying the requirement for the Oklahoma Capitol Improvement Authority to issue bonds funding construction of the museum. This will lead to the transfer of the center and museum to the city of Oklahoma City.

Education

The Legislature adopted several measures affecting common education including overhauling the A-F Grading System by bringing it into compliance with federal law and modifying eligibility for Oklahoma's Promise scholarship program.

Common Education

HB 1693 puts into place the framework and components for a new A-F School Grading System that brings Oklahoma into compliance with the federal Every Student Succeeds Act. Grades will be

provided for each indicator as well as a summative grade of all indicators. Indicators include, but are not limited to, statewide assessments, graduation rates and English language proficiency for English language learners. The State Board of Education may adopt alternate systems of accountability for statewide virtual charter schools, alternative education programs and schools serving only grades prekindergarten or kindergarten through second grade.

HB 1760 modifies probationary promotion under the Reading Sufficiency Act. For the 2016-17 and 2017-18 school years, students who score at the unsatisfactory level on the reading portion of the third-grade statewide assessment may be evaluated for probationary promotion by the Student Reading Proficiency Team. Beginning with the 2018-19 school year, this only will apply to students who score below the proficiency level. If the Legislature takes no action during the 1st Session of the 57th Legislature then probationary promotion will continue indefinitely until modified by the Legislature. The bill also requires the Reading Report Card to be submitted to the Speaker of the House and President Pro Tempore of the Senate.

HB 2155 directs the State Board of Education to adopt a new statewide system of college and career planning tools to be known as the Individual Career Academic Plan (ICAP). Students entering the ninth grade during the 2019-20 school year will be required to complete an ICAP in order to graduate. The bill specifies the contents of an ICAP including career- and college-interest surveys and an intentional sequence of courses that reflect progress toward a postsecondary goal. Implementation of the system will begin during the 2017-18 school year.

HB 1789 requires early childhood, elementary, and special education teachers to receive specific training in research-based instructional strategies for instruction, assessment and intervention for literacy development of all students including advanced readers, English Language Learners and students with learning disabilities such as dyslexia.

HB 1622 requires school districts to notify teachers in writing if the district intends to provide retirement benefits to a teacher in a way that would be less than the amounts set forth in the minimum teacher salary schedule. New teachers must be notified prior to employment and current teachers must be notified no later than 30 days prior to the date that the district elects to provide retirement benefits that would lower the teacher's salary below the minimum salary schedule.

SB 244 requires virtual charter schools to adopt an attendance policy and to keep full and complete attendance records for all enrolled students by July 1, 2018. Additionally, the measure directs virtual charter schools to notify the parent or legal guardian of a student who has been withdrawn for truancy or is approaching truancy.

SB 529 modifies the Oklahoma Higher Learning Access Program (OHLAP) by:

- Allowing awards to be made to eligible students enrolled in a career technology program that is supervised by the state and that would meet the requirements to be eligible for federal student financial aid;
- Requiring students to meet retention and degree completion requirements established by the institution;
- Prohibiting the use of award monies to pay for remedial coursework beginning in the 2018-19 academic year;
- Adjusting the parental income cap for students who apply in the eighth, ninth or tenth grade beginning in the 2017-18 school year from \$50,000 to \$55,000 and from \$55,000 to \$60,000 in the 2021-22 school year;
- Specifying how income qualification will be determined for students who are independent of their parents, in the custody of DHS or in the court-ordered custody of a federally recognized Indian tribe; and
- Specifying under what conditions the Oklahoma State Regents for Higher

Education will review the determination of financial qualification.

Teacher Retirement

HB 1162 modifies the Oklahoma Teachers' Retirement System by increasing the vesting requirement from five years to seven years for members who first begin service on or after November 1, 2017.

Energy

Nearly all new oil and gas wells in Oklahoma are horizontal wells. The major energy-related focus this session was reform of horizontal drilling regulation, including a process to allow horizontal wells as long as 2 miles. Lawmakers also modified or ended numerous incentives for the oil, gas and wind industry.

HB 2298 modifies a tax credit for electricity generated by zero-emission facilities. The measure changes the date in which assets must be placed in operation from January 1, 2021, to July 1, 2017. While there is no immediate positive fiscal impact, passage ensures that the state will not be liable for hundreds of millions in tax credits in future years.

HB 2429 changes the incentive rate from 1 to 4 percent for production from a horizontally drilled well that started producing between the period of July 1, 2011, through July 1, 2015. Currently, production from a horizontally drilled well spudded during the aforementioned time frame is taxed at 1 percent for the first 48 months of production. This change in the incentive rate is expected to bring in \$95 million in increased gross production tax collections for FY 2018.

HB 2377 moves up the sunset date for numerous gross production tax incentives to July 1, 2017; requires claims for rebates to be made by September 30, 2017, and delays rebate payments until after July 1, 2018. The affected incentives relate to:

- incremental production from secondary and tertiary recovery projects;
- re-established production from an inactive well;
- production from production enhancement projects;
- production from deep wells with a depth between 12,500 and 14,999 feet;
- production from new discovery wells; and
- production using 3D seismic technology.

The measure also sunsets the incentive for production from an economically at-risk oil and gas lease on December 31, 2016; requires claims for rebates to be made by June 30, 2017, and delays rebate payments until after July 1, 2018. By placing a one-year moratorium on the rebate payments, collections are expected to increase by \$46 million for FY 2018.

SB 867, known as the "long-lateral bill," authorizes the Corporation Commission to create well spacing units for horizontal oil or gas wells of up to 1,280 acres. An application for a horizontal spacing unit larger than 640 acres must include the basis for the request and propose a horizontal lateral of at least 7,500 feet unless reasonable cause is shown. Further, the drilling of a multiunit horizontal well as the initial well for a horizontal spacing unit is not allowable unless the lateral is to exceed 10,560 feet.

The measure also allows for horizontal spacing units to be established for a common source of supply for which there are already non-horizontal drilling and spacing units. The horizontal spacing unit may exist concurrently with any previous units so that each may be separately developed, with production from each well governed by the applicable unit.

General Government

This session, the Legislature focused on voter registration and enhancing the administrative authority of counties.

Elections

Two measures enacted this session will make it easier for registered voters to update their voter registration information.

SB 148 provides that a change of address for an Oklahoma driver license or state identification card submitted by a registered voter will also serve as a change of address for voting purposes if the new address is in the same county, unless the individual states the change is not for voter registration purposes. If the new address is in another county, the voter will be sent instructions for registering to vote at the new address.

SB 360 authorizes the Secretary of the State Election Board to establish a process by which a registered voter can electronically submit a change to his or her voter registration information, such as name, political party affiliation or address.

County and Municipal Government

HB 1305 authorizes county governments to issue permits to regulate the harvesting of hay along the right-of-ways of county highways and requires permit fees to be credited to the county highway fund.

HB 1464 gives counties with a population of 100,000 or more the ability to construct or maintain any of the streets of a municipality. Currently, only counties with a population of 500,000 or more have that authorization.

HB 1516 authorizes the sale of property and materials to tribal governments and changes the procedure for declaring county property as surplus. Currently, no property may be declared surplus beginning 30 days prior to the filing period for the election of any county commissioner until after the commissioner is sworn into office. The measure allows a board of county commissioners to declare surplus property if only one of three commissioners is up for re-election.

Health and Human Services

The Legislature enacted measures designed to better protect children, elevate the use of telemedicine and increase competition in the health insurance market.

Children and Families

SB 727 requires the Department of Human Services (DHS) to utilize a collaborative decision-making process while conducting an investigation or assessment in response to a report of abuse or neglect of child. The purpose of the process is to assess each child's needs and whether the conditions warrant a safety intervention by the department. If the department determines that immediate removal of the child is necessary prior to completing the investigation or assessment, DHS is directed to utilize the collaborative decision-making process prior to the emergency custody hearing, if feasible. Additional provisions of the measure include:

- Requiring the department to disseminate information about a child in its custody who becomes eligible for adoption to licensed child-placing agencies that have requested to receive such notice;
- Requiring the department to submit an annual report to the Governor and Legislature including the number of custody children placed in non-family settings, a census of approved foster homes and number of children placed, and information regarding child welfare caseloads and salaries; and
- Exempting foster parents acting in good faith from liability for property damage or injuries caused by the child or to the child when engaged in appropriate activities and the damage or injuries are a result of inherent risks associated with the activity.

SB 723 modifies the types of records searches that must be conducted prior to DHS issuing a license to an individual to operate a child care facility and prior to a facility hiring an employee.

The measure requires that a search include any available child abuse and neglect registry in a state where the individual has lived in the last five years; it requires a search of the nontechnical services worker abuse registry maintained by the State Health Department; and a search of the community services worker registry maintained by DHS. Lastly, the bill provides that anyone who refuses to consent to the criminal background check or who knowingly makes a false statement in connection with the background check will be ineligible to own, work in or reside in a child care facility.

HB 1491 modifies the current exemption to the Oklahoma Child Care Facilities Licensing Act for summer youth camps that care for children 5 years of age and younger by lowering the age to 4. The bill also exempts facilities in counties with a population of less than 100,000 that provide care for school-aged children for 21 hours per week or less.

Health

Due to concerns about the skyrocketing rates of melanoma in young adults, the Legislature enacted **SB 765**, which prohibits the use of tanning facilities by minors and creates a civil penalty for operators who violate the prohibition.

SB 726 provides that a valid physician-patient relationship may be established between an allopathic or osteopathic physician and a patient located in the state through telemedicine, provided that the physician:

- is licensed to practice in the state;
- confirms the patient's identity and physical location; and
- provides the patient with the treating physician's identity and professional credentials.

Telemedicine and store-and-forward technology encounters must comply with HIPAA and such a relationship cannot be used for the purpose of prescribing opiates, synthetic opiates, semisynthetic opiates, benzodiazepine or carisoprodol.

Due to the looming threat of the loss of accreditation by the College of American Pathologists, the Legislature passed **HB 2389**, which authorizes the Oklahoma Capitol Improvement Authority to issue up to \$58.6 million in bonds to pay for the construction of a new state health laboratory at the State Department of Health.

HB 2039 provides that no dispensing protocol will be required for the prescribing and dispensing of naloxone, which is used to treat an opiate overdose, as long as it is dispensed by or under the supervision of a licensed pharmacist. Additionally, if a prescriber determines periodic refills of maintenance medication is not medically necessary then a pharmacist may exercise their professional judgement to dispense varying quantities of the medication per fill-up to the total number of dosage units as provided by the original prescription. This will not apply to scheduled medications or medications for which a report is required under the controlled substance database.

SB 508 modifies the Home Bakery Act to allow for the sale of prepared foods at farmers' markets, on site, delivery, cooperatives and through membership-based buying clubs. In the event of a consumer complaint, the Oklahoma Department of Agriculture, Food and Forestry may request written documentation to verify the gross annual sales of a home food establishment.

Insurance

Faced with rising health insurance premiums and uncertainty regarding congressional action, the Legislature took action to shore up the individual health insurance market in Oklahoma by creating a framework for out-of-state insurers to sell their products to Oklahomans and a plan to help stabilize the market.

SB 478 allows insurers authorized to sell in other states, but not authorized in Oklahoma, to apply for a limited exemption in order to issue accident and health policies in Oklahoma. The insurer must be domiciled in a state that has a legislatively-approved compact with the state of

Oklahoma and must offer policies that contain all mandated health benefits required by Oklahoma law and comply with all other applicable laws pertaining to coverage. The Insurance Commissioner may only grant written approval to an out-of-state insurer that is properly licensed in its state and has met market conduct requirements applicable to in-state insurers. Finally, the measure authorizes the commissioner to negotiate compacts with other states to allow insurers domiciled in those states to sell policies in Oklahoma.

HB 2406 creates the Oklahoma Individual Health Insurance Market Stabilization Act. The act is intended to lower health insurance premiums by instituting a stabilization program, which provides payments to health insurance plans, establishes a high-risk pool, and implements reinsurance or other programs as needed. The program is authorized to submit a waiver under Section 1332 of the Affordable Care Act, and upon approval of the waiver and receipt of federal funds, to implement the program with support from the Insurance Department. Any permanent resident of Oklahoma who is currently qualified for, and enrolled in, coverage through the market is eligible for coverage under the stabilization program except those entitled to health care benefits under another federal or state program or an inmate in a state prison.

Public Safety and Judiciary

Public Safety

One of the most pressing issues for Oklahomans was the validity of their driver licenses given the impending final implementation of the federal REAL ID Act of 2005. **HB 1845** allows persons to obtain a REAL ID-compliant driver license or identification card for purposes of boarding an airplane or entering a federal facility or to maintain a REAL ID-noncompliant license or ID card. No person can hold more than one state-issued ID or driver license. The fee for a compliant or noncompliant driver license is increased by \$5 for each class of license issued by the Department of Public Safety. Motor license agents that do not process applications or renewals for REAL ID-

compliant licenses and cards are to remit \$2 of the fee to the Public Safety Enhancement Fund. Motor license agents that process REAL ID-compliant applications can keep \$2 of the fee. The new fee schedule for driver license and ID cards is shown below.

Compliant or Noncompliant License or Card Type	Previous Fee	New Fee
Class A Commercial Learner Permit	\$51.50	\$56.50
Class A Commercial License	\$51.50	\$56.50
Class B Commercial License Learner Permit	\$51.50	\$56.50
Class B Commercial License	\$51.50	\$56.50
Class C Commercial License Learner Permit	\$41.50	\$46.50
Class D License	\$33.50	\$38.50
Identification Card	\$20	\$25

A related measure, **HB 1465** prohibits the sharing of personal information or biometric data with the federal government directly, except as required by the REAL ID Act of 2005. Data also may be shared between agencies, boards, commissions or political subdivisions or as otherwise permitted by law.

SB 643 creates the Impaired Driving Elimination Act 2 and makes numerous changes to laws regulating drunk driving. The measure requires any deferred prosecution agreement related to DUIs entered into in any municipal, state or federal court, which would result in mandatory revocation of a driver license, to be forwarded to the Department of Public Safety (DPS) within five days. The measure deletes language requiring to the automatic revocation of licensure due to a test result or test refusal. The bill allows a person to maintain driving privilege by participating in an Impaired Driver Accountability Program (IDAP), which DPS is required to establish by June 30, 2018. The department may revoke the driving privilege of a person upon notice of a violation of ignition interlock and may issue a restricted driver license upon payment of fees and the IDAP fee. The measure establishes a \$50 fee allowing a person subject to restricted license to a drive a vehicle with an ignition interlock. Additionally, the court is to

require, as a condition of bond, that an ignition interlock device be placed upon the vehicle of any person charged with a second or subsequent DUI. The measure also establishes a misdemeanor offense punishable by a fine of not more than \$1,000 and up to 10 days in jail for refusing to submit to a breathalyzer test and requires the seizure and destruction of the driver license upon arrest for DUI. Finally, the measure does away with DPS administrative appeal hearings related to DUIs.

Judiciary

The Legislature modified judicial districts to bring an additional judge to Canadian County; enacted measures that give victims of childhood sexual abuse additional time to file an action against their abusers; modifies the scope and limits of discovery, and makes paid protestors liable for damages to property.

HB 1470 extends the statute of limitations for alleged victims of childhood sexual abuse or exploitation by allowing them to sue for civil damages until their 45th birthday. The measure also removes the requirement that evidence of the alleged abuse include proof that the victim had psychologically repressed the memory of the facts upon which the claim was predicated and that there is corroborating evidence that the sexual abuse, exploitation or incest actually occurred. Furthermore, the measure creates a two-year grace period to allow victims that were previously barred from filing a civil suit due to the expiration of the statute of limitations to commence an action between the period of November 1, 2017, and Oct 31, 2019.

A related bill, **HB 1570**, removes the requirement that there be a finding of gross negligence in order to be awarded damages in a childhood sexual abuse lawsuit and removes the requirement that the court award court cost and attorney fees to the prevailing party in most civil cases.

The measure also makes several changes to the Oklahoma Discovery Code, including:

- modifying the scope and limits of discovery;
- allowing the court to limit the frequency or extent of discovery if a request is outside the scope of any party's claim or defense;
- modifying the sequence and timing of discovery by allowing the parties to stipulate methods of discovery;
- clarifying the scope of items, particularly items stored in electronic format, for production and authorizing a responding party to provide copies of discoverable items in lieu of inspection; and
- allowing parties to use existing procedures to motion the court for an order compelling discovery when a responding party fails to produce requested documents.

Lastly, the measure gives an officer, director or managing agent of a corporation, or a government official who has been served with a notice of a deposition or subpoena, the ability to submit an affidavit stating the individual has no knowledge regarding the matter at issue and to identify a person within the corporation or government who does have knowledge of the subject matter.

In response to the concerns regarding paid protestors, **HB 2128** holds an individual arrested or convicted of trespassing, including a person or entity that compensates an individual for trespassing, liable for damages to personal or real property while trespassing.

HB 1823 decreases from five to four the number of district judges for judicial district No. 24 (Okfuskee, Okmulgee and Creek counties) and increases from one to two the number of district judges for judicial district No. 26 (Canadian County) for elections occurring after January 1, 2018.

Revenue and Taxation

After four consecutive years of budget shortfalls and repeated declarations of revenue failure, there was immense pressure to add recurring revenue through the creation of new or increased taxes and fees and repeal a trigger mechanism that was put in

place in 2014 to reduce the top marginal personal income tax rate. The Legislature also passed measures to incentivize delinquent taxpayers to come forward and remit unpaid taxes, reduce or end numerous tax incentives and improve the budgeting and tax collection process.

SB 170 nullifies actions taken by the State Board of Equalization to determine if revenue growth is sufficient to warrant a reduction in the top marginal individual income tax rate for future tax years and repeals the trigger mechanism for the rate reduction to 4.85 percent.

SB 845 establishes a smoking cessation fee equal to \$1.50 per pack of cigarettes. The fee is expected to generate approximately \$258 million in FY 2018 with the majority going to the newly created Health Care Enhancement Fund.

HB 2433 modifies the sales tax exemption for motor vehicles. Currently, sales of motor vehicles or any optional equipment or accessories attached to a motor vehicle are exempt from state and local sales tax and subject to an in lieu motor vehicle excise tax. The measure keeps the sales tax exemption for motor vehicles, but reduces it from a full exemption to all but 1.25 percent of the gross receipts for such sales. As a result, motor vehicle sales will now be subject to both motor vehicle excise tax equal to 3.25 percent and state sales tax equal to 1.25 percent. The change in the exemption treatment is expected to generate \$123 million in increased sales tax collections for the state in FY 2018.

HB 2361 establishes a new fee on the initial sale of tickets to professional sporting events involving ice hockey, baseball, basketball, football, arena football and soccer. The fee is \$1 for tickets costing less than \$50 and \$2 for tickets costing more than \$50. Proceeds from the fee will go to the General Revenue Fund. The fee is expected to bring in \$2.6 million in new revenue for FY 2018.

HB 2252 allows qualifying taxpayers to enter into a voluntary disclosure agreement with the Oklahoma Tax Commission and be eligible for

penalty and interest waivers. By reporting any tax liabilities owed by the taxpayer and making arrangements with the commission for the repayment of principal taxes due, the commission will limit the lookback period to three years for annually filed taxes or 36 months for taxes that do not have an annual filing frequency. Other qualifying taxpayers may also be eligible to enter into modified voluntary disclosure agreements with the commission. With a modified disclosure agreement, penalty and interest waivers are at the discretion of the commission and the lookback period is unlimited. The measure also increases, from \$10,000 to \$25,000, the amount of interest and penalty that can be waived by the commission without judicial approval.

HB 2380 directs the Oklahoma Tax Commission to establish a voluntary disclosure initiative to encourage payment of unpaid mixed beverage tax, gasoline and diesel tax, gross production and petroleum excise tax, sales and use tax, income tax and withholding tax owed to the state. In exchange for voluntary disclosure and payment of these taxes, any interest, penalties and collection fees owed will be waived. The initiative is expected to generate \$14.6 million in increased tax collections.

HB 2343 modifies the definition of *noncompliant taxpayer* to mean any taxpayer operating under a sales tax permit who fails to file two reports or remit tax dues for any two-month period within a 24 month period as required under the provisions of any tax law. The expanded definition would increase taxpayer compliance by extending the procedures for noncompliance currently used in the sales tax code to other tax types and is expected to help increase tax collection by \$17 million for FY 2018.

In response to the President's proposal to significantly increase standard deduction limits for federal income tax purposes, **HB 2348** unties the state standard deduction limits from the limits established and adjusted annually by the IRS. For tax year 2017 and all future tax years, the following standard deduction amounts would apply:

- \$6,350 for single or married filing separately;
- \$12,700 for married filing jointly or qualifying widower with dependent child; and
- \$9,350 for head of household.

This change is expected to increase income tax collections by \$4.4 million in FY 2018.

Veterans and Military Affairs

Along with taking steps to establish a state veterans cemetery system and clarifying who qualifies as a veteran, the Legislature began to work toward a more accurate count of honorably discharged veterans in the state.

HB 1198 directs the Oklahoma Department of Veterans Affairs to create and maintain a registry of all veterans in the state. This measure requires that those qualified for certain veterans' benefits are to demonstrate their eligibility via the registry, unless it had been previously determined by the agency responsible for the benefit. A related measure, **SB 456** provides that the registry include 100 percent service-disabled status, if applicable.

Prepared by

Research Division
Oklahoma House of Representatives

Marcia L. Goff, Research Director
Brad Wolgamott, Deputy Research
Director

Kyle Meade, Research Analyst
Quyen Do, Research Analyst
Tricia Hines, GIS

Coordinator/Research Analyst
Scott Tohlen, Research Analyst
Sean Webster, Research Analyst
Lori Oldham, Supervisor/Assistant
Control Clerk

Charles McCall, Speaker of the House

Jan Harrison, Clerk of the House
Joel Kintsel,
Parliamentarian/Administrator

Sue Ann Derr, Chief Counsel
Mark Tygret, Fiscal Director

© Copyright 2017, Oklahoma House of Representatives