



Oklahoma State Senate

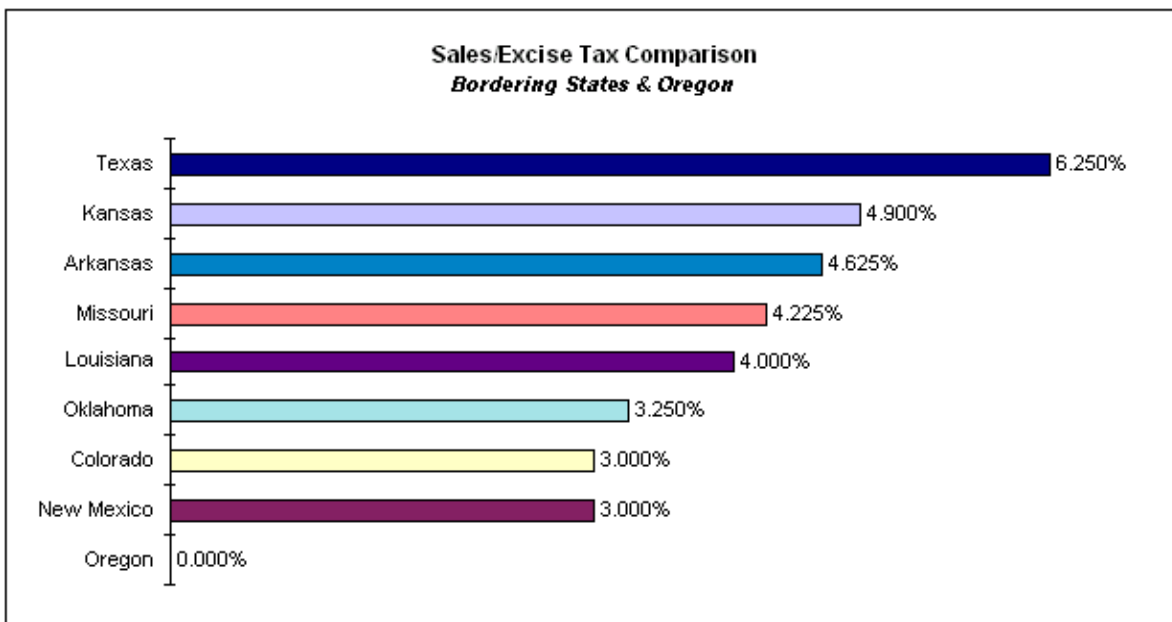
Legislative Brief

June 1999

Vehicle Tags and Taxes

Issue Background

The State of Oklahoma has a system for taxation and registration of noncommercial motor vehicles which differs considerably from those of most other states. Oklahomans pay an excise tax when a vehicle is purchased, which is at a rate of 3.25%, but the basis for this tax is the total delivered price of the vehicle. (For used vehicles, the total delivered price is reduced by 35% for each year of the vehicle's age.) In most other states, the basis is the actual sales price of the vehicle, with or without an adjustment for a vehicle traded in as part of the transaction.



Source: *Report on Oklahoma's Motor Vehicle Tax Structure*, [Oklahoma Tax Commission](#), March 9, 1998.

Oklahomans also pay an annual registration fee, in the amount of 1.25% of the factory delivered price. This fee is reduced by 10% for each year of the vehicle's age. Approximately \$20 is added to this fee (\$15 for a road user fee and \$5 for miscellaneous fees). In FY 98, the average annual registration fee was approximately \$110.

In most other states, the annual vehicle registration fee is less than the fee in Oklahoma, but property taxes are also required to be paid on motor vehicles. These differences have resulted in a perception that Oklahoma's motor vehicle taxes are very high compared to those of other states, although a 1998 study by the Oklahoma Tax Commission showed that this perception may not be accurate.

Oklahoma allows trucks and station wagons (including sport utility vehicles and mini-vans) to be tagged as commercial vehicles if they are used primarily for commercial purposes. The commercial vehicle fee for vehicles under 15,000 pounds is \$95. It is widely believed that many people are evading payment of noncommercial vehicle registration fees in Oklahoma by obtaining commercial tags, tribal tags, out-of-state tags and dealer tags.

Summary of Actions

The 1999 Oklahoma Legislature attempted to address these issues with the passage of [HB 1734](#), authored by Senator [Jim Maddox](#) and Representative Ron Kirby. This measure was vetoed by Governor Keating. Had it become effective, it would have made the following changes to the motor vehicle registration and taxation system:

Changed registration fees to:

- \$85 for years 1 through 5 of registration in Oklahoma or any other state;
- \$45 for years 6 through 10 of registration in Oklahoma or any other state; and
- \$15 for years 11 and following of registration in Oklahoma or any other state;

Changed tag agent retention amounts to \$2.48 per vehicle registration and 3% of the vehicle excise tax (increased to 3.125% for FY 2001 and 3.25% for FY 2002 and following). Current retention amounts are an annual amount based on 2.39% of the average registration fee (currently \$2.48) per vehicle registration and 4% of the vehicle excise tax;

Provided that vehicle excise tax revenue would be apportioned under Section 1104 of Title 47;

Provided that various provisions relating to vendor collection of sales tax does not apply to the vehicle excise tax;

Defined terms (recodified Section 2101 of Title 68);

Levied a vehicle excise tax of 4.5%, the basis of which would have been the actual sales price less the value of a vehicle traded in. These values must be within 20% of the average retail price of the vehicle as listed in the automotive reference material provided by the Tax Commission. A bill of sale or other documentation of actual sales prices must be presented to the Tax Commission or tag agent. The excise tax levied on heavyweight commercial trucks of \$10 was not changed (recodified subsections A and B of Section 2103 of Title 68);

Provided exemptions from and credits against excise tax (recodified subsections C and D of Section 2103 of Title 68);

Provided exemptions from excise tax (recodified Section 2105 of Title 68);

Provided for taxation of manufactured homes (recodified Section 2104.3 of Title 68);

Provided procedures for seizure of vehicles upon which excise tax not paid (recodified Section 2106 of Title 68);

Increased the fine for obtaining out-of-state tag from \$100 to \$200;

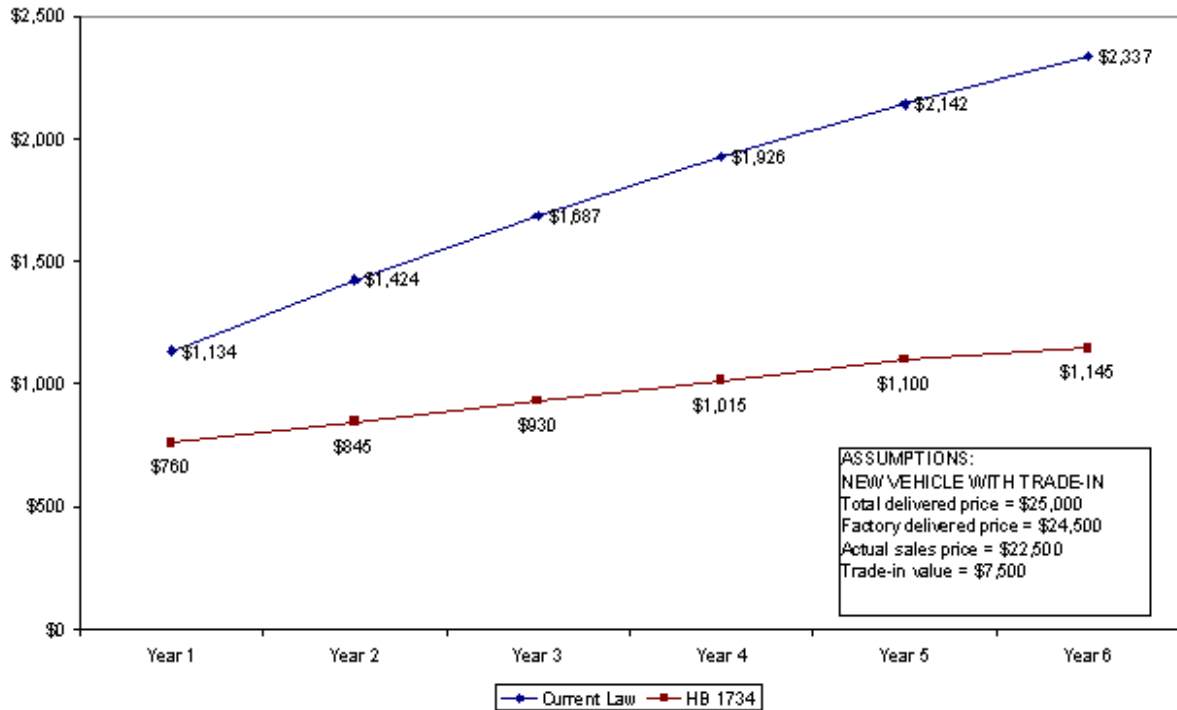
Provided an amnesty period, from 7/1/99 through 9/30/99, during which penalties would have been waived if a taxpayer voluntarily registered a motor vehicle and paid all excise taxes and registration fees due; and

Repealed Sections 2101, 2102, 2103, 2104, 2104.1, 2104.3, 2105, 2106 and 2108 of Title 68.

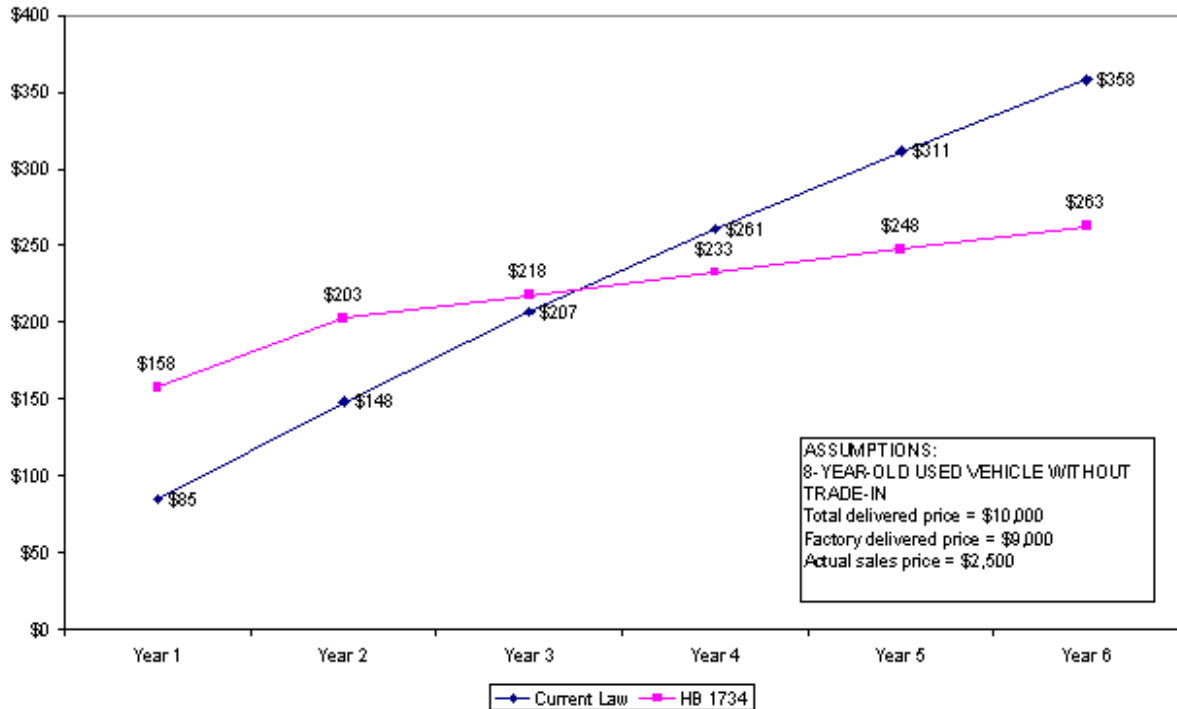
Prior to Governor Keating's veto of HB 1734, the Legislature passed a companion bill, [SB 322](#) by Senator [Angela Monson](#) and Representative Gary Taylor. This bill, which was also vetoed, would have amended HB 1734. In HB 1734, the basis for the vehicle excise tax was specified to be the actual sales price of the vehicle less any credits, discounts or allowances for a motor vehicle traded in as part of the transaction. SB 322 would have also allowed the subtraction of a vehicle sold by the taxpayer within 30 days prior to or after the date of purchase of the vehicle upon which the excise tax was levied. The provisions of HB 1734 requiring the values of both the purchased vehicle and the traded-in vehicle to be within 20% of the average retail price as listed in OTC-approved automotive reference material would also have applied to the value of vehicles sold by the taxpayer within the 30-day time limit.

According to the Oklahoma Tax Commission, the effect of these measures would have been to increase vehicle excise tax collections by approximately \$126 million, and reduce registration fees by approximately the same amount. Whether an individual taxpayer would have paid more or less under the provisions of these measures depends upon the circumstances of the transaction and upon the length of time the vehicle was kept by the owner. All vehicle registration fees would have been lower, but some excise tax amounts would have increased, particularly for used vehicles. Examples prepared by legislative staff and reviewed by the Tax Commission for the purpose of illustrating the effects of these measures indicate that virtually all taxpayers would have realized a tax savings under these measures by the fourth year of ownership.

**COMPARISON OF CUMULATIVE EXCISE TAXES AND TAG FEES
FOR NEW VEHICLE WITH TRADE-IN**



**COMPARISON OF CUMULATIVE EXCISE TAXES AND TAG FEES
FOR 8-YEAR OLD VEHICLE WITHOUT TRADE-IN**



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[Legislative Brief Index](#)