



Oklahoma
State
Senate

Legislative Brief

June 2000

Motor Vehicle Tags and Taxes

2000 Legislative Referendum

On August 22, 2000, Oklahomans will vote on State Question 691, a proposal to change the system of tagging and taxing motor vehicles. State Question 691 will change annual tag fees to \$85 (years 1 through 4), \$75 (years 5 through 8), \$55 (years 9 through 12), \$35 (years 13 through 16) or \$15 (years 17 and following). These fees will apply to all vehicles, including recreational vehicles, but will not apply to commercial and farm vehicles. The rates for commercial and farm tags will not change.

The tax imposed when a vehicle is sold or transferred will also be changed. For new vehicles, the tax will be 3.25% of the actual sales price. For used vehicles, the excise tax will be \$20 for the first \$1,000 for FY 01, plus 3.25% of the remainder of the actual sales price. The \$1,000 figure is increased to \$1,250 for FY 02 and to \$1,500 for FY 03 and thereafter. If approved by the people, the measure will become effective October 1, 2000.

State Question 691 was referred to the voters by the Legislature in the 2000 session. Originally, these provisions were enacted in HB 2663, authored by Senator Jim Maddox and Representative Ron Kirby. After the Governor vetoed HB 2663, the Legislature enacted HB 2189, authored by President Pro Tempore Stratton Taylor and Speaker Loyd Benson. HB 2189 was almost identical to HB 2663, but it referred the provisions to a vote of the people at the August 22, 2000, primary election.

State Question 691, if approved by the people, will result in decreased revenue collections from license tag fees and increased revenue collections from excise taxes. The amount of the decrease will be greater than the amount of the increase, resulting in a net tax cut. No individual vehicle owner will pay more for a tag under State Question 691, but vehicle purchasers may pay more or less excise tax than under the current system depending upon the circumstances of the transaction. For that portion of FY 01 during which the measure will be effective (if approved), the net decrease in collections will be \$8.7 million. For FY 02, the net decrease will be \$17.0 million, and for FY 03 and thereafter, the net decrease will be \$22.3 million.

Current Law

Cost of Motor Vehicle Tags

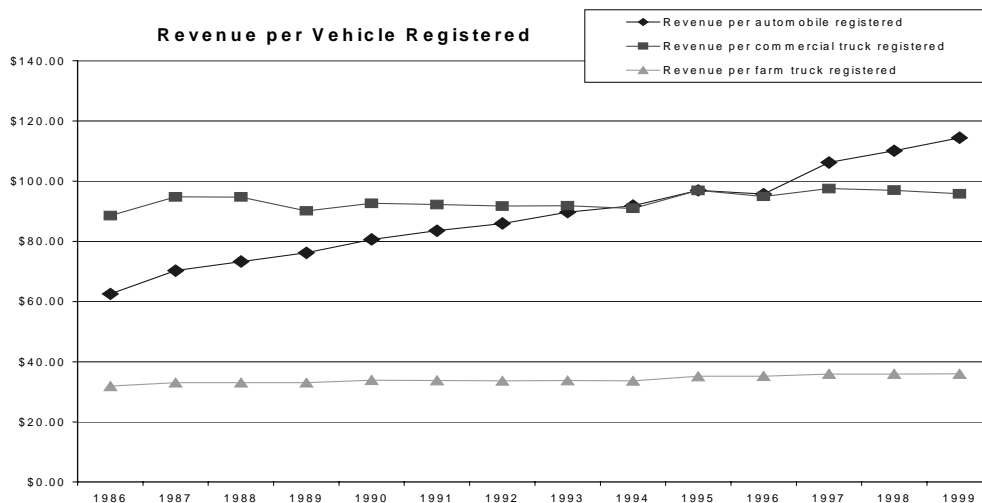
The Oklahoma Legislature has extensively studied the system of taxation of motor vehicles for a number of years. Under current law, the fee for a motor vehicle license tag (other than for a commercial or farm vehicle, discussed below) is \$15 plus 1.25% of the factory delivered price of the vehicles for the first year of registration (see Section 1132 of Title 47 of the Oklahoma Statutes). For the second through twelfth years, the fee is \$15 plus 1.25% of the factory delivered price, discounted 10% for each year. For the thirteenth through twentieth years, the fee remains the same as for the

twelfth year. After the twentieth year, the fee is a flat \$15. Another \$5 is added to each registration for administrative fees.

The fees for commercial tags are based on vehicle weight, rather than vehicle price. They range from \$95 (15,000 pounds and less) to \$1,078 (89,001 to 90,000 pounds) (see Sections 1133 and 1133.1 of Title 47 of the Oklahoma Statutes). To be registered as a commercial vehicle, a vehicle must be a truck or station wagon, be used primarily for business or commercial purposes, and be labeled with either the name of the business or the words “commercial vehicle”. The fee for registration of a pickup, truck or truck-tractor used primarily for farm use is \$30 (see Section 1134 of Title 47 of the Oklahoma Statutes).

All motor vehicle registration fees are in lieu of property taxes on vehicles in Oklahoma. In most states, although a lower tag fee may be imposed, property taxes are due annually on the value of vehicles.

Over time, registration fees for noncommercial vehicles have increased, since they are based on vehicle value, while commercial and farm tag fees have not. When the Oklahoma Vehicle License and Registration Act (Section 1101 et seq. of Title 47 of the Oklahoma Statutes) was enacted in 1985, the average commercial vehicle fee was higher than the average noncommercial vehicle fee. By 1997, the lines had crossed; noncommercial vehicles were, on average, more expensive to tag than commercial vehicles.



Source: Oklahoma Tax Commission, annual motor vehicle reports.

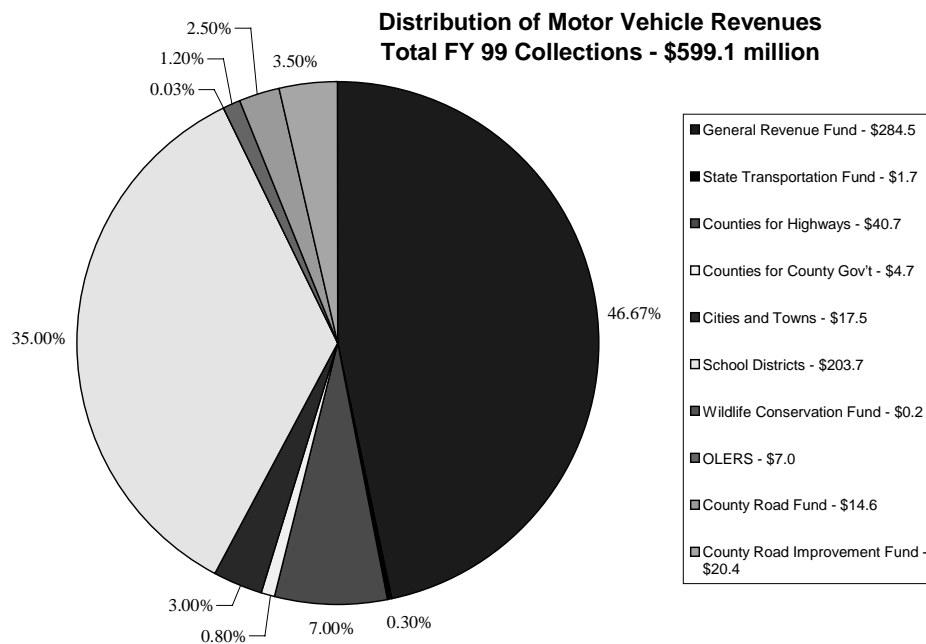
Oklahomans have used several different means to evade the cost of noncommercial motor vehicle tags (some of which are legal and others of which are not). Some owners of station wagons, including sport utility vehicles and vans, and pickup trucks, choose to register their vehicles as commercial vehicles. In 1986, 149,370 vehicles were registered as commercial vehicles, while 2,524,519 vehicles were registered as noncommercial vehicles. By 1999, the number of noncommercial vehicles had fallen slightly, to 2,423,227, and the number of commercial vehicles had risen 52%, to 226,323. During this time period, several Indian tribes began issuing their own tags to tribal members. Some Oklahomans have illegally tagged their vehicles in other states.

Vehicle Excise Taxes

When a vehicle is sold, a tax is imposed upon the transaction. In Oklahoma, the tax rate is 3.25% (see Section 2101 et seq. of Title 68 of the Oklahoma Statutes). The tax rate is applied to the total delivered price of the vehicle, discounted 35% for each year of the vehicle's age.

Revenues

Motor vehicle registration fees and excise taxes represent a significant source of revenue for Oklahoma. In FY 1999, the state received almost \$600 million. Motor vehicle revenues are apportioned under a formula (see Section 1104 of Title 47 of the Oklahoma Statutes), under which 46.67% is deposited to the General Revenue Fund, 35% is given directly to school districts, and most of the remaining revenue is apportioned to cities and counties. Under State Question 691, this formula will be changed so that all the revenue impact comes from the General Revenue Fund and schools, cities and counties will receive at least as much revenue as they received in previous years.



Source: Oklahoma Tax Commission, *Apportionment of Statutory Revenues by the Oklahoma Tax Commission, FY 1999*.

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