



## Sales Tax Holiday

**August 1 to August 3, 2008**

[Oklahoma Tax Commission Rules on the "Sales Tax" Holiday](#) (.doc)

As you recall, in 2007 the Legislature passed the Sales Tax Holiday which was held the weekend of August 3, 2007. The rationale for the holiday was to compete with the Texas holiday in order to keep back-to-school sales in Oklahoma. The 2008 Holiday will be held from Friday, August 1 at 12:01 am until midnight on Sunday, August 3, 2008.

The Sales Tax Holiday law is found at 68 O.S. Section 1357.10. It applies to the sale of "an article of clothing or footwear if the sales price of the article is less than \$100 and the sale covers the three day period from the first Friday in August and ending at midnight on the following Sunday." Three limitations to this language are contained in the successful 2007 bill.

Additional information on the 2008 Sales Tax Holiday can be found at [www.tax.ok.gov](http://www.tax.ok.gov). Or, information can be obtained by calling 405 521 3160.

After several years of defeating the proposal, in 2007 the Legislature agreed to "hold harmless" municipalities from the resulting revenue loss. OML staff and the finance directors of several OML members met with Oklahoma Tax Commission (OTC) officials to better understand how the revenue reimbursed by the state was determined.

The basis for the calculation for state reimbursement and future activity:

What formula was used?

To determine the 2007 municipal reimbursement, OTC used the local sales tax percentage that each municipality had in August 2006. OTC estimated that the holiday cost the state \$2.9 million based on Texas' experience. Texas even now only estimates its percentage of loss over several years of experience.

B. Is there a report on the separate amounts reimbursed?

For those municipalities that receive a detailed ledger report, the amount of reimbursement was a line item. Otherwise, the amount is not separated on the monthly report.

C. Were there similar legislative proposals in 2008?

Yes. SB 1149 by Sen. Barrington (R.Lawton) proposed adding school supplies to the Sales Tax Holiday. The estimate was that municipal sales tax would drop \$6.6 million annually. Although this bill failed, it is reasonable that additional exemptions will be proposed in future legislative sessions.

Were major sales tax reductions proposed outside the context of the sales tax holiday?

Yes. An exemption for Grocery Sales Tax made its way into SB 2129 as a house floor amendment. In addition, Senator Gumm (D.Durant) proposed an exemption for Grocery Sales Tax in SB 1153. Both attempts were unsuccessful.

What is the estimated cost to municipalities of the repeal of grocery sales tax?

In FY 2006-2007 the estimated loss to municipalities was \$228.7 million.

Is it reasonable to anticipate that there will be future attempts to remove municipal sales tax from groceries?

Yes. OML has been contacted by legislative staff inquiring about the effects of removal on municipal revenue.

**Please Note: This summary is not a substitute for legal advice. You should consult your city or town attorney prior to taking any action based on this document.**