



# Use Tax for County Government

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Historical sources of funding for county government services are restricted and, in some instances — particularly in rural counties — may not keep up with inflation. The use tax is a new option for county government. The purpose of this publication is to answer the fundamental questions about a county use tax. In-depth information can be obtained from the Oklahoma Tax Commission (405-521-3200) and/or the State Auditor and Inspector (405-521-3495), and through your local Oklahoma Cooperative Extension Service office.

## What Is It?

Use tax is essentially the same as sales tax. Sales tax is collected on retail purchases from Oklahoma merchants. Use tax is collected on mail and phone order and Internet purchases from merchants who have no physical presence in Oklahoma. Use tax applies to the same items as sales tax. Vendor location is the key difference. It is a little known and widely ignored fact that purchases by mail, phone, or Internet from out-of-state vendors are taxable just like the purchases of similar goods from your local retail store. (Title 68, sections 1354.1 and following, Oklahoma Statutes) In 1998, the state Legislature adopted a law allowing counties to begin collecting the use tax, effective January 1, 1999. (Title 68, section 1411, Oklahoma Statutes) Many city governments were already collecting use tax.

## How Much Is It?

The Board of County Commissioners sets the use tax rate, but the rate must not exceed that of the sales tax. Cities have similar authority. Furthermore, the state of Oklahoma collects

use tax equal to the state sales tax rate of 4.5 percent. (Title 68, section 1411, Oklahoma Statutes)

As of April 2002, forty-six counties were collecting use tax. This is an increase of seventeen over the twenty-nine that were collecting it at the end of the 2001 fiscal year. For the 2001 fiscal year, use tax as a percentage of sales tax collections varied from 2.2 percent to 8.9 percent, with the average being 4.6 percent, for the ten counties that collected both the sales and use tax for the entire fiscal year.

## How to Adopt It?

Unlike the sales tax, the adoption of the use tax does not require a vote of the people. State law simply requires passage of a resolution by the governing board, that is, the Board of County Commissioners. However, use tax adoption is limited to those counties (and cities) that have already adopted, by vote of the people, a sales tax. (Title 68, section 1411, Oklahoma Statutes)

## How to Use It?

Whereas the county sales tax must be used as designated by vote of the people, the use tax may be used for any function of county government. Thus, the Board of County Commissioners may designate its use for any legitimate purpose. There are no statutory restrictions.

## Down the Road

Rapid growth in e-commerce — whether by Internet, telephone, or other electronic communications technology — could result in lost sales to local merchants, hence lost sales tax collections. Use tax could be part of the answer. Effective use tax collection will help ensure that local purchases generate local funds to support public services provided by county and city governments.

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