



OKLAHOMA TAX COMMISSION

LEGISLATIVE UPDATE

PREPARED BY THE COMMUNICATIONS DIVISION
IN CONJUNCTION WITH TAX POLICY AND RESEARCH

2016

This informational packet is not intended to be a complete listing of tax related laws or law changes.
This is an abbreviated listing that highlights those changes effecting a large number of taxpayers.

For further tax information including tax rules, please visit our web site at www.tax.ok.gov
or contact the Oklahoma Tax Commission at (405) 521-3160.



OKLAHOMA TAX COMMISSION

ASSISTANCE GUIDE

(all numbers are within the "405" area code)

Tax Professional Hotline:

The Oklahoma Tax Commission implemented a couple of methods in which tax professionals may by-pass the main telephone line to receive immediate responses to inquiries related to tax issues.

First method:..... Calling 521-6827 or

Second method:..... Emailing questions to: taxprofessionalquestion@tax.ok.gov

Telephone Numbers:

Account Maintenance Division

Main Number 521-4271

Ad Valorem Division

Main Number 319-8200

Communications Division

Main Number 521-3637

Compliance Division

Audit - Main Number 521-3251

Collections - Main Number..... 521-3281

Legal Division

Main Number 522-9460

Motor Vehicle Division

Main Number 521-3221

Tax Policy and Research

Tax Analysts 521-3133

Taxpayer Assistance

Taxpayer Resource Center 521-3160

Website: www.tax.ok.gov

E-mail address: otcmaster@tax.ok.gov

Changes to 2016 Income Tax From 2015 & Prior Legislative Sessions

Combined Income / Franchise Tax Return – The corporate income tax returns, Forms 512 and 512-S, have been modified to allow the filing of a combined income and franchise tax return.

Income Tax Rate – The top marginal individual income tax rate has been reduced from 5.25% to 5%.

Check-off – The income tax refund check-off for the *Y.M.C.A. Youth and Government Program* has been added back to corporate and individual tax returns.

Form 511CR Credits –

Oklahoma Affordable Housing Tax Credit - A credit is allowed for qualified projects placed in service after July 1, 2015. The amount of state tax credits available is equal to the amount of federal low-income housing tax credits for a qualified project, but cannot exceed \$4 million per allocation year. Any credit allowed but not used will have a five year carryover provision.

Amends the *Credit for Contributions to a Scholarship-Granting Organization* and the *Credit for Contributions to an Educational Improvement Grant Organization*. If a taxpayer makes an eligible contribution and makes a written commitment to contribute the same amount for an additional year, the credit will be 75% of the amount of the contributions for each year.

The *Credit for Modification Expenses Paid for an Injured Employee* and the *Wire Transfer Fee Credit* have been eliminated for tax years ending on or after January 1, 2017.

Summary of 2016 Tax Legislation

INCOME TAX

House Bill 2536 – Effective November 1, 2016

Amends 68 O.S. § 2370.1, which relates to the Small Business Guaranty Fee Credit, by extending the date the credit terminates from December 31, 2016 to December 31, 2018. This measure also requires a measurable goal of retaining and/or creating 2,000 jobs per year in Oklahoma for this credit.

House Bill 2775 – Effective July 1, 2016

Amends 68 O.S. § 217 by requiring the Tax Commission to pay interest on refunds claimed on returns filed electronically if those refunds are not paid within 45 days.

Amends 68 O.S. § 2368 by changing the due dates for Oklahoma corporate and partnership income tax returns to 30 days after the due dates for these types of returns under the Internal Revenue Code, effective for tax years beginning on or after January 1, 2016.

Amends 68 O.S. §2385.3 by requiring every employer that deducts and withholds a tax from the wages paid an employee shall furnish to the Tax Commission, on or before February 28 of the succeeding year, an annual reconciliation and such other information as the Tax Commission may require pursuant to the Tax Commission's electronic data interchange program.

House Bill 3204 – Effective January 1, 2016

Amends 68 O.S. § 2357.104, which relates to the Credit for Railroad Modernization, by reducing this credit by 25% for tax years beginning on or after January 1, 2016.

Senate Bill 1085 – Effective January 1, 2017

Creates a new law requiring state individual and corporate income tax return forms for tax year 2017 and subsequent tax years to allow a donation from a tax refund or a direct donation to the *Support of Oklahoma General Revenue Fund* for the benefit of the General Revenue Fund of the State of Oklahoma. 68 O.S. § 2368.28

Senate Bill 1134 – Effective January 1, 2017

Creates a new law requiring state individual and corporate income tax return forms for tax year 2017 and subsequent tax years to allow a donation from a tax refund to the *Oklahoma Department of Veterans Affairs Indigent Veteran Burial Program* for the benefit of the Veterans Affairs Indigent Veteran Burial Program. 68 O.S. § 2368.28

Senate Bill 1582 – Effective November 1, 2016

Amends 68 O.S. § 2357.4, which relates to the Investment/New Jobs Income Tax Credit, by limiting the amount of credit for various periods by implementing a \$25 million annual cap for tax years beginning on or after January 1, 2016 and ending on or before December 31, 2018.

Senate Bill 1603 – Effective August 26, 2016

Amends 68 O.S. § 2357.46, which relates to Credit for the Construction of Energy Efficient Homes, by eliminating this credit for any period on or after July 1, 2016.

Senate Bill 1604 – Effective November 1, 2016

Amends 68 O.S. § 2357.43, which relates to the Oklahoma Earned Income Credit, by eliminating the refundable aspect of this credit beginning with tax year 2016.

Senate Bill 1605 – Effective November 1, 2016

Amends 68 O.S. § 2357.27, which relates to the Credit for Child Care Service Providers, by eliminating this credit for tax years beginning on or after January 1, 2016.

Senate Bill 1606 – Effective November 1, 2016

Amends 68 O.S. § 2358 by requiring state and local income taxes or sales taxes included in itemized deductions be added back to calculate Oklahoma taxable income (by subtracting them from itemized deductions) effective for tax year 2016.

Senate Bill 1614 – Effective November 1, 2016

Amends 68 O.S. § 2357.11, which relates to the Coal Credit, by limiting this credit to 75% of the amount allowed under current law, effective January 1, 2016.

AD VALOREM

House Bill 2349 – Effective November 1, 2016

Amends 68 O.S. § 2890 by removing veterans' disability compensation from the computation of gross household income for purposes of the additional homestead exemption.

Senate Bill 1282 – Effective January 1, 2016

Modifies the definition of “investment cost” in 68 O.S. § 2902 for purposes of qualification for the five-year ad valorem exemption as a facility expansion. The amendment provides that investment cost shall include capital expenditures for direct replacement, refurbishment, repair or maintenance of existing machinery or equipment that qualifies for depreciation and/or

amortization pursuant to the Internal Revenue Code of 1986, as amended. The Internal Revenue Code distinguishes “capital expenditures” which create an increase in capacity, productivity or efficiency from ordinary costs for routine maintenance and repair of property.

Senate Bill 1455 – Effective January 1, 2017

Amends 68 O.S. § 2817 by providing an exception to the valuation method for persons primarily engaged in selling lumber and other building materials, including cement and concrete,¹ which would be assessed at the average value of the inventory on hand as of January 1 of each year and the value of the inventory on hand as of December 31 of the same year.

GROSS PRODUCTION & PETROLEUM EXCISE TAXES

House Bill 2303 – Effective July 1, 2016

Amends 68 O.S. §§ 1101-1103 by extending the expiration date for the .095% petroleum excise tax rate from July 1, 2016 to July 1, 2021.

House Bill 2774 – Effective July 1, 2016

Amends 68 O.S. § 1003, which provides for tax on oil recovered from unknown sources. This amendment would eliminate the requirement that the Tax Commission hold the proceeds for 12 months, but would allow the royalty interest owners 12 months to provide proof of mineral ownership and claim the proceeds.

Amends 68 O.S. § 1005(a) by deleting the mandate that companies report Gross Production Form 323A (transporter log) and by adding that *upon request* by the Tax Commission, every railroad company, pipeline or transportation company shall provide, upon forms prescribed by it, any and all information related to the transportation of crude oil or gas subject to gross production tax via the Form 323A. By implementing the amendment to Section 1005(a), transporters will no longer be required to file the Form 323A with the Tax Commission. The bill also proposes to remove obsolete language.

Repeals 68 O.S. § 1016, which relates to the distribution of proceeds to the General Revenue Fund at the expiration of six months in cases where gross production tax is paid to the Tax Commission and the reports accompanying such tax are insufficient to enable the Tax Commission to determine the source of the oil, gas or casinghead gas upon which gross production tax is paid.

Senate Bill 1577 – Effective July 1, 2016

Amends 68 O.S. §1001.3a by providing that beginning on or after January 1, 2015, “economically at-risk oil or gas lease” means any oil or gas lease with one or more producing

¹ The exception provided in this measure would not apply to home centers classified under the North American Industrial Classification Systems Manual as Industry No. 444110.

wells with an average production volume per well of 10 barrels of oil or 60 MCF of natural gas per day or less operated at a net loss or a net profit, after a deduction of certain costs, which is less than the total gross production tax remitted for such lease during the previous calendar year. The total amount of claims to be paid for such leases shall not exceed 12.5 Million.

MOTOR VEHICLE

House Bill 2378 – Effective November 1, 2016

Amends 47 O.S. § 1102 by excluding park model recreational vehicle from the definition of manufactured home and including these units in the recreational vehicle classification.

Amends 68 O.S. § 2101 by excluding park model recreation vehicle from the definition of manufactured home for purposes of the levy of motor vehicle excise tax.

House Bill 2624 – Effective November 1, 2016

The measure modifies the type of documentation required to be provided by a person when selling a vehicle to a scrap metal dealer. In accordance with current statutory language the seller is required to present a vehicle title, verified bill of sale from the vehicle owner or other proof of ownership. Under the measure, acceptable ownership verification documentation for these transactions consists of the vehicle title or a certificate of ownership form to be approved by the Oklahoma Tax Commission. 2 O.S. § 11-92 & 47 O.S. § 1105.

House Bill 3192 - Effective November 1, 2016

Amends 47 O.S. § 1127 by providing for an alternative method in which to document “active duty status” for purposes of qualifying for the \$15 reduced vehicle registration rate for vehicles of active duty military service members and waiver of delinquent penalties for Oklahoma resident armed forces personnel who are stationed out-of-state by official assignment.²

House Bill 3208 – Effective August 26, 2016

Amends 47 O.S. § 1113.2 by directing the Executive Director of the Oklahoma Tax Commission to initiate the replacement of state vehicle license plates with a new license plate to be designed by the Oklahoma Tourism and Recreation Department with the approval of the Department of Public Safety. With the exception of vehicles registered pursuant to the provisions of 47 O.S. § 1120 and certain other official special license plates, the newly designed license plate will be issued to all vehicles beginning January 1, 2017.

It also provides for an additional registration fee in the amount of \$5 to be imposed on all initial and renewal registrations from July 1, 2016 through June 30, 2017.

² The waiver applies to the duration of the out-of-state assignment and up to sixty days following the end of such assignment.

The Tax Commission may establish procedures for the purpose of allowing current registrants to reserve their present general issue license plate number for a fee of \$15, provided payment of such fee is received by November 1, 2016.

Senate Bill 796 – Effective May 20, 2016

Amends 42 O.S. § 91 by providing that upon denial of a title application by the Tax Commission a lien claimant may mail a Notice of Possessory Lien and Notice of Sale on the same day in separate envelopes subject to the provision that storage charges shall only be charged from the date of resubmission.

Amends 42 O.S. § 91A by allowing the lien claimant to charge fees regulated by the Oklahoma Corporation Commission in addition to the Notice of Possessory Lien processing fee and postage.

Senate Bill 900 - Effective November 1, 2016

Amends 68 O.S. § 2105 relating to the motor vehicle excise tax exemption afforded to veterans with permanent active service-related disabilities receiving compensation at the 100% rate. The measure would allow an exception to the one vehicle in a consecutive three-year period exemption limitation in cases where the vehicle is a replacement for a vehicle which was destroyed and declared by the insurer to be a total loss claim.

Senate Bill 972 – Effective November 1, 2016

Amends 47 O.S. § 1-103.2 by redefining the term “autocycle” by striking the requirement that these vehicles have a fully enclosed compartment for the driver and any passenger.

Senate Bill 1335 – Effective November 1, 2016

Amends 47 O.S. § 7-606 by adding a provision for municipal police departments enforcing the Compulsory Insurance Law by providing that for charges relating to citations for failing to comply with this law which are to be filed in municipal court, the law enforcement agency issuing the citation may deposit the license plate with their own agency. It further provides that the municipal police department that is storing the license plate must enter the seized license plate number into the statewide database maintained by the plan administrator. It also outlines the period in which proof of insurance verification may be provided without application of the administrative fee. If not provided within the stated interval, regardless of whether the person has the required coverage, the administrative fee is applicable.

Senate Bill 1459 - Effective November, 1, 2016

Amends 47 O.S. § 1137.1 to allow a nonprofit charitable organization, upon providing documentation of its tax exempt status as an organization, to obtain from the Tax Commission charitable nonprofit organization license plates³ for the purposes of demonstrating, transporting

³ The Tax Commission shall design distinctive license plates for the stated purpose.

or test driving donated vehicles, provided that the organization may possess or use at any one time no more than eight of the described plates. The measure further provides that the transfer of ownership from the vehicle donor to the qualifying nonprofit organization shall be made without the payment of motor vehicle excise tax levied pursuant to 68 O.S. § 2103.

Senate Bill 1511– Effective November 1, 2016

Amends 47 O.S. § 1107.5 by allowing the transfer of a motor vehicle that is not subject to any lien or other encumbrance upon the death of the vehicle owner/transferor pursuant to filing with the Tax Commission a transfer-on-death form signed by the vehicle owner/transferor which designates a beneficiary/transferee.

SALES & USE TAX

House Bill 2248 – Effective November 1, 2016

Provides that nothing in 68 O.S. § 1354.36 shall be interpreted as prohibiting a one subject proposition from residing upon the same paper voting ballot as other one subject propositions for purposes of county sales tax levy ballots.

House Bill 2531 – Effective November 1, 2016

Cites the Act as the “Oklahoma Retail Protection Act of 2016”.

Amends 68 O.S. § 1352(13) by modifying the definition of "maintaining a place of business in this state" to attribute sales tax nexus to those persons utilizing or maintaining an office, distribution house, sales house, warehouse or other physical place of business, whether owned or operated by the vendor or any other person, other than a common carrier acting in its capacity as such. Further the measure expands the definition to include the presence of any person, other than a common carrier acting in its capacity as such, that has substantial nexus in the state and that:

- 1) sells a similar line of products as the vendor and does so under the same or a similar name;
- 2) uses trademarks, service marks, or trade names in this state that are the same or substantially similar to those of the vendor;
- 3) delivers, installs, assembles or performs maintenance services for the vendor;
- 4) facilitates the vendor's delivery of property to customers by allowing the vendor's customers to pick up property sold by the vendor at an office, distribution facility, warehouse, storage place or other place maintained by the person in this state; or
- 5) conducts any other activities in this state that are significantly associated with the vendor's ability to establish and maintain a market in this state for the vendor's sales.

Declares as null and void, unless approved by a majority vote of each house of the Oklahoma legislature, any agreement between a person and this state’s executive branch, or any other state agency/department ruling that the person is not maintaining a place of business in this state or is

not required to collect sales and use tax despite the presence of a warehouse, distribution center, or fulfillment center in this state owned or operated by the vendor.

Amends 68 O.S. § 1401(10) by providing that the phrase “maintaining a place of business within the state” for purposes of the Use Tax Code shall have the same meaning as provided in 68 O.S. § 1352. It also strikes unnecessary language in the definition of retailer.

Requires out-of-state vendors not presently responsible for the collection of Oklahoma use tax to send an annual statement to their Oklahoma customers by February 1st notifying them of the amount of their total purchases made during the preceding calendar year. The statement shall not include any other information that would identify or describe the products purchased. 68 O.S. § 1406.2

Amends the Retailer Compliance Initiative contained in 68 O.S. § 1407.2 by requiring the Tax Commission to establish a similar initiative relating to out-of-state vendors for the purpose of registration, collection, and remittance of sales and use tax owed to the state pursuant to the Oklahoma Retail Protection Act of 2016.

Pursuant to the Initiative, the Tax Commission will not seek payment of uncollected use taxes from an out-of-state retailer who registers to collect and remit applicable sales/use taxes on sales made prior to such registration, provided the retailer was not registered in this state in the twelve month period preceding the effective date of Section 1407.2. Provided a retailer’s sales/use tax registration occurs prior to May 1, 2017, the Commission is precluded from making an assessment for uncollected sales/use taxes and interest and penalties for sales made during the period the retailer was not registered in the state.

The measure further provides the circumstances under which:

- 1) the relief provided by the Initiative is unavailable,
- 2) the provisions of the Initiative are effective and
- 3) the application of the Initiative to retailer/vendor sales/use tax and not consumer use tax.

Modifies the purpose and scope of the outreach program provided for in 68 O.S. § 1407.3 by including out-of-state retailers maintaining a place of business in this state.

Repeals 68 O.S. §§ 1354.1–1354.6.

House Bill 3205 – *Effective August 26, 2016*

Amends 68 O.S. § 227 by shortening the current statute of limitations period for filing timely claims for refund of erroneously paid sales and use tax from three years to two years from the date of payment of the sales/use tax.

Senate Bill 1282 – Effective November 1, 2016

Amends 68 O.S. § 1359 by exempting from the sales and use tax levies, the sale, use or consumption of paper stock and other raw materials which are manufactured into commercial printed material⁴ in this state primarily for use and delivery outside this state.

MISCELLANEOUS

ALCOHOL, MIXED BEVERAGES AND LOW-POINT BEER

SJR 68⁵ - Effective October 1, 2018⁶ [SQ 792]

Amends the Oklahoma Constitution by adding Sections 1, 2, 3, 4, 5, 6, 7, 8, 9, and 10 to a new Article 28 and repealing Sections 1, 1.A, 2, 3, 4, 5, 6, 7, 8, 9, and 10 of Article 28. This Section also requires that all beverages that contain alcohol, unless otherwise defined by law, must be considered alcoholic beverages governed by this Article and all other applicable laws.

Requires the legislature, subject to the conditions outlined, to enact laws providing for the strict regulation, control, licensing, and taxation of the manufacture, sale, distribution, possession, transportation, and consumption of alcoholic beverages.

Requires the legislature to prescribe a set of licenses for the sale of alcoholic beverage to consumers for off-premise consumption that include, but not limited to:

- A retail spirits license allowing the sale of spirits in their original sealed package and wine and beer refrigerated or non-refrigerated in the original sealed package. This license allows the holder to sell at retail any item that may be purchased at a grocery or convenience store as defined by law, so long as the sale of items other than alcoholic beverages do not comprise more than twenty percent (20%) of the holder’s monthly sales.
- A retail wine license, which may be owned without limitation on number by retail locations,⁷ allows the sale of refrigerated or non-refrigerated wine in their original sealed package.
- A retail beer license, which may be owned without limitation on number by retail locations, allows the sale of refrigerated or non-refrigerated beer in their original sealed package.

⁴ For purposes of this exemption, “commercial printed material” shall include magazines, catalogs, retail inserts and direct mail.

⁵ Language implementing the proposed constitutional amendments is found in Senate Bill 383 [2016].

⁶ With the exception of the provisions of Section 2(A)(1)(b) which are effective upon passage and approval, the remaining provisions are effective October 1, 2018.

⁷ “Retail locations” shall include supermarkets, grocery stores, convenience stores, drug stores, warehouse clubs, supercenters and retail outlets which were authorized to legally sell low point beer as of the effective date of this section.

The legislature is also required to prescribe a set of licenses for the sale of alcoholic beverages for on-premise consumption including the sale of wine, spirits, and beer, provided that such sales of alcoholic beverages by the individual drink have been authorized by the voters in the specific county where the beverages are sold.

Sets forth conditions upon which a Retail Spirits License and a Wine and Spirits Wholesaler's License may be issued.

Makes it unlawful for any licensee to sell or furnish any alcoholic beverage to persons who are:

- 1) under the age of twenty-one,
- 2) adjudged insane or mentally deficient, or
- 3) intoxicated.

Also, this Section makes it unlawful for persons under the age of twenty-one to misrepresent their age for the purpose of obtaining alcoholic beverages. The Legislature is to provide penalties for the described violations.

Mandates that the Legislature designate the specific days, hours and holidays on which alcoholic beverages may be sold or served to consumers for on-premise or off-premise consumption.

Mandates that the retail sale of alcoholic beverages be subject to sales tax and authorizes the legislature to levy taxes upon the manufacture, possession and/or all sales of alcoholic beverages, including sales by any entity that sells alcoholic beverages to consumers for on-premise and off-premise consumption.

Prohibits the State of Oklahoma and any political subdivision, board, commission, or agency thereof from engaging in any phase of the alcoholic beverage business, including the manufacture, sale, transportation, or distribution thereof, at wholesale, or retail, and the maintenance, ownership or operation of warehouses or alcoholic beverage stores except for sales of alcoholic beverages at state lodges that are authorized by the legislature and county voters where the state lodge is located.

The legislature may also restrict the involvement of officers and employees of the state and political subdivisions thereof in the alcoholic beverage business.

Allows incorporated cities and towns where the sale of alcoholic beverages is lawful to levy an occupation tax to not exceed the amount of State license fees for the manufacture, distribution or sale of alcoholic beverages.

Senate Bill 1239 – Effective July 1, 2016

Amends 37 O.S. § 163.5 by requiring the electronic payment of low-point beer excise tax.

Amends 37 O.S. § 553 by requiring the electronic payment of alcohol excise tax.

COIN-OPERATED VENDING DEVICE FEES

House Bill 2932 – Effective November 1, 2016

Amends 68 O.S. § 1504 by authorizing the Tax Commission to deny issuance of coin-op decals to applicants delinquent in the payment of coin-op fees or penalties pursuant to notification by the Tax Commission of its intent to refuse.

Amends 68 O.S. § 1506 by reducing the delinquency penalty for failure to timely pay applicable fees and affix decals from \$100 to \$10 for any device requiring a coin or thing of value less than 25 cents. This Section also mandates that the Tax Commission notify device owners or persons allowing operation of such devices in their business establishments of the assessment of penalty and provide 30 days in which to remit the penalty. The Tax Commission is prohibited from refusing issuance of a decal until after the expiration of the 30 days.

Amends 68 O.S. § 1507 by restricting the Tax Commission from seizing a device less than 15 days after the sealing of the device and notice being placed thereon informing the owner that such device is subject to seizure if the applicable fees are not remitted and decal affixed.

PREPAID WIRELESS 911 FEE

House Bill 3126 – Effective November 1, 2016⁸

Imposes a monthly 9-1-1 telephone fee of 75 cents on each:

- 1) wireless telephone connection and other communication device with the ability to dial 9-1-1,
- 2) service that is enabled by Voice over Internet Protocol (VoIP) or Internet Protocol (IP) with the ability to dial 9-1-1, and
- 3) prepaid wireless retail transaction occurring in the state.

63 O.S. § 2865

Provides that the 9-1-1 telephone fees collected by wireless service providers and VoIP providers from their customers shall be paid to the Tax Commission no later than the 20th day of the month succeeding the month of collection. The applicable 9-1-1 fees may be added to and must be separately stated in customer billings. 63 O.S. § 2866

⁸ The 9-1-1 fee increases and collection by the Tax Commission of the fees associated with wireless and VoIP services are operative January 1, 2017.

ADMINISTRATIVE

House Bill 2281 – Effective November 1, 2016

Amends 51 O.S. § 24A.5 by providing that any public body which makes requested records available on the Internet shall meet the obligation of providing prompt, reasonable access to its records.

House Bill 2510 – Effective November 1, 2016

Amends 51 O.S. § 24A.5 by providing that all social security numbers included in a record may be confidential regardless of the person's status as a public employee or private individual and may be redacted or deleted prior to release of the record by the public body. This measure applies to records released under the Open Records Act.

Senate Bill 1579 – Effective August 26, 2016

Enacts a new section of law not to be codified in the Oklahoma Statutes which directs the Oklahoma Tax Commission to enhance agency efforts⁹ to discover and reduce fraud and abuse of sales and use tax exemptions provided in the Sales and Use Tax Codes and the nonfiling and underreporting of sales and use taxes due and owing.

Enacts a new section of law not to be codified in the Oklahoma Statutes which directs the Tax Commission to increase its audit staff to conduct audits of individual, corporate and partnership income tax returns and to audit and issue proposed assessments against nonfiling and underreporting taxpayers detected through the use of enhanced technology.

Amends 68 O.S. § 1002 by directing the Tax Commission to enhance agency efforts to ensure the proper reporting and collection of gross production taxes in addition to the auditing of claims for refunds or rebates to verify the accuracy of the claims filed.

⁹ Such efforts are to include enhanced sales and use tax auditing with technology systems designed to identify underreporting of sales and use tax and the electronic reporting of information of exempt sales by vendors.