

OKLAHOMA TAX COMMISSION

FISCAL IMPACT STATEMENT AND/OR ADMINISTRATIVE IMPACT STATEMENT SECOND REGULAR SESSION, FIFTY-FOURTH OKLAHOMA LEGISLATURE

DATE OF IMPACT STATEMENT: May 22, 2014

BILL NUMBER: HB 2562 STATUS AND DATE OF BILL: Enrolled May 22, 2014

AUTHORS: House Hickman and Dank Senate Marlatt, Branam, and Fields

TAX TYPE (S): Gross Production SUBJECT: Tax Rate

PROPOSAL: Amendatory

House Bill 2562 proposes to amend 68 O.S. § 1001, 68 O.S. § 1001.3a, and 68 O.S. § 1004 [Detailed Description Attached].

EFFECTIVE DATE: Emergency – July 1, 2014

REVENUE IMPACT:

Insert dollar amount (plus or minus) of the expected change in state revenues due to this proposed legislation.

FY 15: See Attached Analysis

FY 16: See Attached Analysis

ADMINISTRATIVE IMPACT:

Insert the estimated cost or savings to the Tax Commission due to this proposed legislation.

FY 15: None

May 22, 2014
DATE

Rick Miller
DIVISION DIRECTOR

mjh;mel

5-23-14
DATE

Reece Womack
REECE WOMACK, ECONOMIST

5/23/14
DATE

Dawn Cook
FOR THE COMMISSION

ATTACHMENT TO FISCAL IMPACT-HB 2562-[Enrolled]-Prepared May 22, 2014.

House Bill 2562 proposes to amend 68 O.S. § 1001, 68 O.S. § 1001.3a, and 68 O.S. § 1004. The proposed amendments in the bill are as follows:

- Reduces the tax rate for all new production from wells, spudded on or after 7/1/15, to 2% for the first 36 months. Thereafter, the tax rate increases to 7%;
- Extends the following production incentives to 7/1/20:
 - Enhanced recovery incentive,
 - Inactive well incentive,
 - Production enhancement incentive, and
 - Economically-at-Risk incentive;
- Extends the following drilling incentives to 7/1/15:
 - Deep wells incentive (drilled to less than 15,000 feet),
 - New discovery incentive, and
 - 3-D seismic incentive;
- Modifies current refund process for production after 7/1/15 and provides that the incentives are not available for production taxed at the 2% tax rate;
- Provides that no claims regarding economically-at-risk leases shall be permitted after December 31, 2015 for production periods occurring between calendar years 2005 through 2013;
- Provides that no claims for rebates for production occurring before 2003 are permitted after the effective date of the bill;
- Provides apportionment of revenue from oil and gas under the new 2% tax rate; and
- Deletes obsolete language.

The fiscal impact of replacing the existing gross production taxing system in future years is difficult due to the constant price fluctuations upon which the tax is based and other variables. Therefore, the Tax Commission estimates the following fiscal impacts:

FY15: No recommended decertification in collections.

FY16: Revenue neutral.