

ENGROSSED HOUSE
BILL NO. 2873

By: Rice, Voskuhl, Phillips,
Sullivan (John),
Breckinridge, Pope
(Tim), Hiett and Miller
of the House

and

Easley of the Senate

(revenue and taxation - refund of gross production tax -
codification - effective date - emergency)

BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

SECTION 1. NEW LAW A new section of law to be codified
in the Oklahoma Statutes as Section 1025 of Title 68, unless there
is created a duplication in numbering, reads as follows:

A. As used in this section:

1. "Oklahoma producer" means an individual, partnership,
proprietorship, corporation, or other entity investing in oil or gas
wells in this state;

2. "Qualified oil and gas expenditures" means the sum of the
amounts paid by an Oklahoma producer during a calendar year for any
or all of the following expenditures:

- a. leasehold costs with respect to lands located within
this state,
- b. seismic costs with respect to lands located within
this state,
- c. intangible drilling costs for wells located within
this state, and

- d. completion costs with respect to wells drilled within this state and other capitalized costs with respect to the wells which are incurred within six (6) months following the completion of the well or cessation of the activities;

3. "Base year qualified oil and gas expenditures" means the sum of qualified oil and gas expenditures of an Oklahoma producer for calendar year 1995; and

4. "Incremental qualified oil and gas investment" means the excess of the qualified oil and gas investment for a calendar year over the greater of:

- a. the base year qualified oil and gas expenditures, or
- b. the largest qualified oil and gas investment previously made by the Oklahoma producer for a calendar year subsequent to 1995.

B. For tax years beginning after December 31, 1995, but before January 1, 2001, there shall be allowed to an Oklahoma producer a refund of the tax imposed by Section 1001 of Title 68 of the Oklahoma Statutes and paid by an Oklahoma producer in an amount equal to seventy percent (70%) of the incremental qualified oil and gas investment of the Oklahoma producer for the year. The refund shall be reduced by the amount of credit which is allowed to the producer for the year under Sections 1001 through 1024 of Title 68 of the Oklahoma Statutes with respect to expenditures made after 1995 which are included in the eligible oil and gas investments of the producer. In no event shall the refund exceed the tax liability of the Oklahoma producer for the year pursuant to Section 1001 of Title 68 of the Oklahoma Statutes.

C. The refund shall not be granted unless the Oklahoma producer certifies to the Oklahoma Tax Commission before May 15 of the year following the year in which the refund is earned the matters necessary to establish the entitlement to the refund. An Oklahoma

producer claiming a refund shall not be required to submit proof of payment of the tax imposed by Section 1001 of Title 68 of the Oklahoma Statutes with the claim for refund, but each Oklahoma producer filing a claim for refund shall maintain records providing the payment of tax and other records relating to the amount of refund at least until May 15 of the third year following the year for which the refund is claimed. Any refund claimed by an Oklahoma producer which is not paid within ninety (90) days following the submission of a proper application, and which has not been denied for just cause, shall bear interest at the rate of twelve percent (12%) per annum until the refund is paid.

D. Despite the refund of the tax granted pursuant to subsection B of this section, there shall continue to be levied upon the production of petroleum or other crude or mineral oil or natural gas or casinghead gas, as provided in Section 1001 of Title 68 of the Oklahoma Statutes, from any wells provided in this section, a tax equal to one percent (1%) of the gross value of the production of petroleum or other crude or mineral oil or natural gas or casinghead gas. No refund of this tax levy shall be permitted. The tax levy shall be apportioned as follows:

1. Fifty percent (50%) of the sum collected shall be apportioned to the County Highway Fund as provided in paragraph 3 of Section 1004 of Title 68 of the Oklahoma Statutes; and

2. Fifty percent (50%) of the sum collected shall be apportioned to the appropriated school district as provided in paragraph 4 of Section 1004 of Title 68 of the Oklahoma Statutes. Upon the expiration of the refund granted pursuant to subsection B of this section, the provisions of this subsection shall have no force or effect.

SECTION 2. This act shall become effective July 1, 1996.

SECTION 3. It being immediately necessary for the preservation of the public peace, health and safety, an emergency is hereby

declared to exist, by reason whereof this act shall take effect and be in full force from and after its passage and approval.

Passed the House of Representatives the 6th day of March, 1996.

Speaker of the House of Representatives

Passed the Senate the ____ day of _____, 1996.

President of the Senate