

1 STATE OF OKLAHOMA

2 2nd Session of the 51st Legislature (2008)

3 CONFERENCE COMMITTEE SUBSTITUTE  
4 FOR ENGROSSED

5 SENATE BILL SB1714

6 By: Mazzei of the Senate

7 and

8 Terrill of the House

9 CONFERENCE COMMITTEE SUBSTITUTE

10 An Act relating to revenue and taxation; amending 68  
11 O.S. 2001, Section 1001, as last amended by Section  
12 1, Chapter 260, O.S.L. 2007 (68 O.S. Supp. 2007,  
13 Section 1001), which relates to gross production tax;  
14 providing oil price benchmark for making certain  
15 determination; defining term; requiring updates;  
16 allowing for alternative benchmark; providing gas  
17 price benchmark for making certain determination;  
18 defining term; requiring updates; allowing for  
19 alternative benchmark; authorizing certain purchase  
20 agreement; providing agreement requirements; creating  
21 the Oklahoma Tax Commission and Office of State  
22 Finance Joint Computer Enhancement Fund; providing  
23 for expenditure of funds; providing permissible  
24 expenditure purposes; allowing certain transfer of  
funds; amending 68 O.S. 2001, Section 1353, as last  
amended by Section 34 of Enrolled Senate Bill No.  
1830 of the 2nd Session of the 51st Oklahoma  
Legislature, which relates to sales tax  
apportionment; providing limited exception to general  
purpose; amending 68 O.S. 2001, Section 1403, as last  
amended by Section 4, Chapter 366, O.S.L. 2007 (68  
O.S. Supp. 2007, Section 1403), which relates to use  
tax; providing limited exception to general purpose;  
amending 68 O.S. 2001, Section 2352, as last amended  
by Section 5, Chapter 366, O.S.L. 2007 (68 O.S. Supp.  
2007, Section 2352), which relates to income tax;  
providing limited exceptions to general purpose;  
amending 47 O.S. 2001, Section 1140, as last amended

1 by Section 77, Chapter 1, O.S.L. 2005 (47 O.S. Supp.  
2 2007, Section 1140), which relates to motor license  
3 agents; authorizing Oklahoma Tax Commission to  
4 approve certain locations for motor license agents;  
5 providing for codification; providing for  
6 noncodification; and providing effective dates.

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

7 SECTION 1. AMENDATORY 68 O.S. 2001, Section 1001, as  
8 last amended by Section 1, Chapter 260, O.S.L. 2007 (68 O.S. Supp.  
9 2007, Section 1001), is amended to read as follows:

10 Section 1001. A. There is hereby levied upon the production of  
11 asphalt, ores bearing lead, zinc, jack, gold, silver and copper a  
12 tax equal to three-fourths of one percent ( $3/4$  of 1%) on the gross  
13 value thereof.

14 B. 1. Effective January 1, 1999, through June 30, 2010, except  
15 as otherwise exempted pursuant to subsections D, E, F, G, H, I and J  
16 of this section, there is hereby levied upon the production of oil a  
17 tax as set forth in this subsection on the gross value of the  
18 production of oil based on a per barrel measurement of forty-two  
19 (42) U.S. gallons of two hundred thirty-one (231) cubic inches per  
20 gallon, computed at a temperature of sixty (60) degrees Fahrenheit.  
21 If the average price of Oklahoma oil as determined by the Oklahoma  
22 Tax Commission pursuant to the provisions of paragraph 3 of this  
23 subsection equals or exceeds Seventeen Dollars (\$17.00) per barrel,  
24 then the tax shall be seven percent (7%). If the average price of

1 Oklahoma oil as determined by the Tax Commission pursuant to  
2 paragraph 3 of this subsection is less than Seventeen Dollars  
3 (\$17.00) but is equal to or exceeds Fourteen Dollars (\$14.00) per  
4 barrel, then the tax shall be four percent (4%). If the average  
5 price of Oklahoma oil as determined by the Tax Commission pursuant  
6 to paragraph 3 of this subsection is less than Fourteen Dollars  
7 (\$14.00) per barrel, then the tax shall be one percent (1%).

8 2. Effective July 1, 2010, except as otherwise exempted  
9 pursuant to subsections D, E, F, G, H, I and J of this section,  
10 there shall be levied upon the production of oil a tax equal to  
11 seven percent (7%) of the gross value of the production of oil based  
12 on a per barrel measurement of forty-two (42) U.S. gallons of two  
13 hundred thirty-one (231) cubic inches per gallon, computed at a  
14 temperature of sixty (60) degrees Fahrenheit.

15 3. Effective January 1, 1999, through June 30, 2010, the  
16 average price of Oklahoma oil for purposes of this section shall be  
17 computed by the Tax Commission based on the total value of oil  
18 reported each month that is subject to the tax levied under this  
19 section. At the first of each month, the Tax Commission shall  
20 compute the average price paid per barrel of oil reported on the  
21 monthly tax report for the most current production month on file.  
22 The average price as computed by the Tax Commission shall be used to  
23 determine the applicable tax rate for the third month following  
24 production. Effective July 1, 2002, through June 30, 2010, the

1 average price of gas for purposes of this section shall be computed  
2 by the Tax Commission based on the total value of gas reported each  
3 month that is subject to the tax levied by this section. At the  
4 first of each month, the Tax Commission shall compute the average  
5 price paid per thousand cubic feet (mcf) of gas as reported on the  
6 monthly tax report for the most current production month on file.  
7 The average price as computed by the Tax Commission shall be used to  
8 determine the applicable tax rate for the third month following  
9 production.

10 4. Effective July 1, 2002, through June 30, 2010, except as  
11 otherwise exempted pursuant to subsections D, E, F, G, H, I and J of  
12 this section, there is hereby levied upon the production of gas a  
13 tax as set forth in this subsection on the gross value of the  
14 production of gas. If the average price of gas as determined by the  
15 Tax Commission pursuant to the provisions of paragraph 3 of this  
16 subsection equals or exceeds Two Dollars and ten cents (\$2.10) per  
17 thousand cubic feet (mcf), then the tax shall be seven percent (7%).  
18 If the average price of gas as determined by the Tax Commission  
19 pursuant to the provisions of paragraph 3 of this subsection is less  
20 than Two Dollars and ten cents (\$2.10) per thousand cubic feet (mcf)  
21 but is equal to or exceeds One Dollar and seventy-five cents (\$1.75)  
22 per thousand cubic feet (mcf), then the tax shall be four percent  
23 (4%). If the average price of gas as determined by the Tax  
24 Commission pursuant to the provisions of paragraph 3 of this

1 subsection is less than One Dollar and seventy-five cents (\$1.75)  
2 per thousand cubic feet (mcf), then the tax shall be one percent  
3 (1%).

4 5. Effective July 1, 2010, except as otherwise exempted  
5 pursuant to subsections D, E, F, G, H, I and J of this section,  
6 there shall be levied a tax equal to seven percent (7%) of the gross  
7 value of the production of gas.

8 C. The taxes hereby levied shall also attach to, and are levied  
9 on, what is known as the royalty interest, and the amount of such  
10 tax shall be a lien on such interest.

11 D. 1. Except as otherwise provided in this section, any  
12 incremental production attributable to the working interest owners  
13 which results from an enhanced recovery project shall be exempt from  
14 the gross production tax levied pursuant to this section from the  
15 project beginning date until project payback is achieved for new  
16 enhanced recovery projects or until project payback is achieved but  
17 not to exceed a period of thirty-six (36) months for tertiary  
18 enhanced recovery projects existing on July 1, 1988. This exemption  
19 shall take effect July 1, 1988, and shall apply to enhanced recovery  
20 projects approved or having a project beginning date prior to July  
21 1, 1993. Project payback pursuant to this paragraph for enhanced  
22 recovery projects qualifying for this exemption on or after July 1,  
23 1990, and on or before June 30, 1993, shall be determined by  
24 appropriate payback indicators which will not include any expenses

1 beyond the completion date of the well. Project payback pursuant to  
2 this paragraph for enhanced recovery projects qualifying for this  
3 exemption on or after October 17, 1987, and on or before June 30,  
4 1990, shall be determined by appropriate payback indicators as  
5 previously established and allowed by the Tax Commission for  
6 projects qualifying during such period.

7 2. Except as otherwise provided in this section, for secondary  
8 recovery projects approved and having a project beginning date on or  
9 after July 1, 1993, and before July 1, 2000, any incremental  
10 production attributable to the working interest owners which results  
11 from such secondary recovery projects shall be exempt from the gross  
12 production tax levied pursuant to this section from the project  
13 beginning date until project payback is achieved but not to exceed a  
14 period of ten (10) years. Project payback pursuant to this  
15 paragraph shall be determined by appropriate payback indicators  
16 which will provide for the recovery of capital expenses and fifty  
17 percent (50%) of operating expenses, in determining project payback.

18 3. Except as otherwise provided in this section, for secondary  
19 recovery projects approved or having an initial project beginning  
20 date on or after July 1, 2000, and before July 1, 2009, any  
21 incremental production attributable to the working interest owners  
22 which results from such secondary recovery projects shall be exempt  
23 from the gross production tax levied pursuant to this section for a  
24 period not to exceed five (5) years from the initial project

1 beginning date or for a period ending upon the termination of the  
2 secondary recovery process, whichever occurs first.

3 4. Except as otherwise provided in this section, for tertiary  
4 recovery projects approved and having a project beginning date on or  
5 after July 1, 1993, and before July 1, 2009, any incremental  
6 production attributable to the working interest owners which results  
7 from such tertiary recovery projects shall be exempt from the gross  
8 production tax levied pursuant to this section from the project  
9 beginning date until project payback is achieved, but not to exceed  
10 a period of ten (10) years. Project payback pursuant to this  
11 paragraph shall be determined by appropriate payback indicators  
12 which will provide for the recovery of capital expenses and  
13 operating expenses, excluding administrative expenses, in  
14 determining project payback. The capital expenses of pipelines  
15 constructed to transport carbon dioxide to a tertiary recovery  
16 project shall not be included in determining project payback  
17 pursuant to this paragraph.

18 5. The provisions of this subsection shall also not apply to  
19 any enhanced recovery project using fresh water as the primary  
20 injectant, except when using steam.

21 6. For purposes of this subsection:

22 a. "incremental production" means the amount of crude oil  
23 or other liquid hydrocarbons which is produced during  
24 an enhanced recovery project and which is in excess of

1 the base production amount of crude oil or other  
2 liquid hydrocarbons. The base production amount shall  
3 be the average monthly amount of production for the  
4 twelve-month period immediately prior to the project  
5 beginning date minus the monthly rate of production  
6 decline for the project for each month beginning one  
7 hundred eighty (180) days prior to the project  
8 beginning date. The monthly rate of production  
9 decline shall be equal to the average extrapolated  
10 monthly decline rate for the twelve-month period  
11 immediately prior to the project beginning date as  
12 determined by the Corporation Commission based on the  
13 production history of the field, its current status,  
14 and sound reservoir engineering principles, and

15 b. "project beginning date" means the date on which the  
16 injection of liquids, gases, or other matter begins on  
17 an enhanced recovery project.

18 7. The Corporation Commission shall promulgate rules for the  
19 qualification for this exemption which shall include, but not be  
20 limited to, procedures for determining incremental production as  
21 defined in subparagraph a of paragraph 6 of this subsection, and the  
22 establishment of appropriate payback indicators as approved by the  
23 Tax Commission for the determination of project payback for each of  
24 the exemptions authorized by this subsection.

1           8. For new secondary recovery projects and tertiary recovery  
2 projects approved by the Corporation Commission on or after July 1,  
3 1993, and before July 1, 2009, such approval shall constitute  
4 qualification for an exemption.

5           9. Any person seeking an exemption shall file an application  
6 for such exemption with the Tax Commission which, upon determination  
7 of qualification by the Corporation Commission, shall approve the  
8 application for such exemption.

9           10. The Tax Commission may require any person requesting such  
10 exemption to furnish information or records concerning the exemption  
11 as is deemed necessary by the Tax Commission.

12           11. Upon the expiration of the exemption granted pursuant to  
13 this subsection, the Tax Commission shall collect the gross  
14 production tax levied pursuant to this section.

15           E. 1. Except as otherwise provided in this section, the  
16 production of oil, gas or oil and gas from a horizontally drilled  
17 well producing prior to July 1, 2002, which production commenced  
18 after July 1, 1995, shall be exempt from the gross production tax  
19 levied pursuant to subsection B of this section from the project  
20 beginning date until project payback is achieved but not to exceed a  
21 period of twenty-four (24) months commencing with the month of  
22 initial production from the horizontally drilled well. Except as  
23 otherwise provided in this section, the production of oil, gas or  
24 oil and gas from a horizontally drilled well producing prior to July

1 1, 2009, which production commenced after July 1, 2002, shall be  
2 exempt from the gross production tax levied pursuant to subsection B  
3 of this section from the project beginning date until project  
4 payback is achieved but not to exceed a period of forty-eight (48)  
5 months commencing with the month of initial production from the  
6 horizontally drilled well. Provided, any incremental production  
7 which results from a horizontally drilled well producing prior to  
8 July 1, 1994, shall be exempt from the gross production tax levied  
9 pursuant to subsection B of this section from the project beginning  
10 date until project payback is achieved but not to exceed a period of  
11 twenty-four (24) months commencing with the month of initial  
12 production from the horizontally drilled well. For purposes of  
13 subsection D of this section and this subsection, project payback  
14 shall be determined as of the date of the completion of the well and  
15 shall not include any expenses beyond the completion date of the  
16 well, and subject to the approval of the Tax Commission.

17 2. As used in this subsection, "horizontally drilled well"  
18 shall mean an oil, gas or oil and gas well drilled or recompleted in  
19 a manner which encounters and subsequently produces from a  
20 geological formation at an angle in excess of seventy (70) degrees  
21 from vertical and which laterally penetrates a minimum of one  
22 hundred fifty (150) feet into the pay zone of the formation.

23 F. 1. Except as otherwise provided by this section, the  
24 severance or production of oil, gas or oil and gas from an inactive

1 well shall be exempt from the gross production tax levied pursuant  
2 to subsection B of this section for a period of twenty-eight (28)  
3 months from the date upon which production is reestablished. This  
4 exemption shall take effect July 1, 1994, and shall apply to wells  
5 for which work to reestablish or enhance production began on or  
6 after July 1, 1994, and for which production is reestablished prior  
7 to July 1, 2009. For all such production, a refund against gross  
8 production taxes shall be issued as provided in subsection L of this  
9 section.

10 2. As used in this subsection, for wells for which production  
11 is reestablished prior to July 1, 1997, "inactive well" means any  
12 well that has not produced oil, gas or oil and gas for a period of  
13 not less than two (2) years as evidenced by the appropriate forms on  
14 file with the Corporation Commission reflecting the well's status.  
15 As used in this subsection, for wells for which production is  
16 reestablished on or after July 1, 1997, and prior to July 1, 2009,  
17 "inactive well" means any well that has not produced oil, gas or oil  
18 and gas for a period of not less than one (1) year as evidenced by  
19 the appropriate forms on file with the Corporation Commission  
20 reflecting the well's status. Wells which experience mechanical  
21 failure or loss of mechanical integrity, as defined by the  
22 Corporation Commission, including but not limited to, casing leaks,  
23 collapse of casing or loss of equipment in a wellbore, or any

24

1 similar event which causes cessation of production, shall also be  
2 considered inactive wells.

3 G. 1. Except as otherwise provided by this section, any  
4 incremental production which results from a production enhancement  
5 project shall be exempt from the gross production tax levied  
6 pursuant to subsection B of this section for a period of twenty-  
7 eight (28) months from the date of first sale after project  
8 completion of the production enhancement project. This exemption  
9 shall take effect July 1, 1994, and shall apply to production  
10 enhancement projects having a project beginning date on or after  
11 July 1, 1994, and prior to July 1, 2009. For all such production, a  
12 refund against gross production taxes shall be issued as provided in  
13 subsection L of this section.

14 2. As used in this subsection:

15 a. (1) for production enhancement projects having a  
16 project beginning date prior to July 1, 1997,  
17 "production enhancement project" means any  
18 workover as defined in this paragraph,  
19 recompletion as defined in this paragraph, or  
20 fracturing of a producing well, and

21 (2) for production enhancement projects having a  
22 project beginning date on or after July 1, 1997,  
23 and prior to July 1, 2009, "production  
24 enhancement project" means any workover as

1 defined in this paragraph, recompletion as  
2 defined in this paragraph, reentry of plugged and  
3 abandoned wellbores, or addition of a well or  
4 field compression,

5 b. "incremental production" means the amount of crude  
6 oil, natural gas or other hydrocarbons which are  
7 produced as a result of the production enhancement  
8 project in excess of the base production,

9 c. "base production" means the average monthly amount of  
10 production for the twelve-month period immediately  
11 prior to the commencement of the project or the  
12 average monthly amount of production for the twelve-  
13 month period immediately prior to the commencement of  
14 the project less the monthly rate of production  
15 decline for the project for each month beginning one  
16 hundred eighty (180) days prior to the commencement of  
17 the project. The monthly rate of production decline  
18 shall be equal to the average extrapolated monthly  
19 decline rate for the twelve-month period immediately  
20 prior to the commencement of the project based on the  
21 production history of the well. If the well or wells  
22 covered in the application had production for less  
23 than the full twelve-month period prior to the filing  
24 of the application for the production enhancement

1 project, the base production shall be the average  
2 monthly production for the months during that period  
3 that the well or wells produced,

4 d. (1) for production enhancement projects having a  
5 project beginning date prior to July 1, 1997,  
6 "recompletion" means any downhole operation in an  
7 existing oil or gas well that is conducted to  
8 establish production of oil or gas from any  
9 geological interval not currently completed or  
10 producing in such existing oil or gas well, and

11 (2) for production enhancement projects having a  
12 project beginning date on or after July 1, 1997,  
13 and prior to July 1, 2009, "recompletion" means  
14 any downhole operation in an existing oil or gas  
15 well that is conducted to establish production of  
16 oil or gas from any geologic interval not  
17 currently completed or producing in such existing  
18 oil or gas well within the same or a different  
19 geologic formation, and

20 e. "workover" means any downhole operation in an existing  
21 oil or gas well that is designed to sustain, restore  
22 or increase the production rate or ultimate recovery  
23 in a geologic interval currently completed or  
24 producing in the existing oil or gas well. For

1 production enhancement projects having a project  
2 beginning date prior to July 1, 1997, "workover"  
3 includes, but is not limited to, acidizing,  
4 reperforating, fracture treating, sand/paraffin  
5 removal, casing repair, squeeze cementing, or setting  
6 bridge plugs to isolate water productive zones from  
7 oil or gas productive zones, or any combination  
8 thereof. For production enhancement projects having a  
9 project beginning date on or after July 1, 1997, and  
10 prior to July 1, 2009, "workover" includes, but is not  
11 limited to:

- 12 (1) acidizing,
- 13 (2) reperforating,
- 14 (3) fracture treating,
- 15 (4) sand/paraffin/scale removal or other wellbore  
16 cleanouts,
- 17 (5) casing repair,
- 18 (6) squeeze cementing,
- 19 (7) installation of compression on a well or group of  
20 wells or initial installation of artificial lifts  
21 on gas wells, including plunger lifts, rod pumps,  
22 submersible pumps and coiled tubing velocity  
23 strings,

- (8) downsizing existing tubing to reduce well loading,
- (9) downhole commingling,
- (10) bacteria treatments,
- (11) upgrading the size of pumping unit equipment,
- (12) setting bridge plugs to isolate water production zones, or
- (13) any combination thereof.

"Workover" shall not mean the routine maintenance, routine repair, or like for like replacement of downhole equipment such as rods, pumps, tubing, packers, or other mechanical devices.

H. 1. For purposes of this subsection, "depth" means the length of the maximum continuous string of drill pipe utilized between the drill bit face and the drilling rig's kelly bushing.

2. Except as otherwise provided in subsection K of this section:

- a. the production of oil, gas or oil and gas from wells spudded between July 1, 1997, and July 1, 2005, and drilled to a depth of twelve thousand five hundred (12,500) feet or greater and wells spudded between July 1, 2005, and July 1, 2009, and drilled to a depth between twelve thousand five hundred (12,500) feet and fourteen thousand nine hundred ninety-nine (14,999)

1 feet shall be exempt from the gross production tax  
2 levied pursuant to subsection B of this section from  
3 the date of first sales for a period of twenty-eight  
4 (28) months;

5 b. the production of oil, gas or oil and gas from wells  
6 spudded between July 1, 2002, and July 1, 2005, and  
7 drilled to a depth of fifteen thousand (15,000) feet  
8 or greater and wells spudded between July 1, 2005, and  
9 July 1, 2008, and drilled to a depth between fifteen  
10 thousand (15,000) feet and seventeen thousand four  
11 hundred ninety-nine (17,499) feet shall be exempt from  
12 the gross production tax levied pursuant to subsection  
13 B of this section from the date of first sales for a  
14 period of forty-eight (48) months; and

15 c. the production of oil, gas or oil and gas from wells  
16 spudded between July 1, 2002, and July 1, 2008, and  
17 drilled to a depth of seventeen thousand five hundred  
18 (17,500) feet or greater shall be exempt from the  
19 gross production tax levied pursuant to subsection B  
20 of this section from the date of first sales for a  
21 period of sixty (60) months.

22 3. Except as otherwise provided for in this subsection, for all  
23 such wells spudded, a refund against gross production taxes shall be  
24 issued as provided in subsection L of this section.

1       4. For all wells spudded after July 1, 2005, and which are  
2 exempt from gross production tax pursuant to subparagraphs b and c  
3 of paragraph 2 of this subsection, the amount of refunds paid by the  
4 Tax Commission shall be limited as follows:

5           a. for the fiscal year ending June 30, 2006, no claims  
6           for refunds shall be paid,

7           b. for the fiscal year ending June 30, 2007, the total  
8           amount of refunds paid shall be equal to or less than  
9           Seventeen Million Dollars (\$17,000,000.00),

10          c. for the fiscal year ending June 30, 2008, the total  
11          amount of refunds paid shall be equal to or less than  
12          Twenty Million Dollars (\$20,000,000.00), and

13          d. for the fiscal year ending June 30, 2009, and any  
14          fiscal year thereafter, the total amount of refunds  
15          paid each fiscal year shall be equal to or less than  
16          Twenty-five Million Dollars (\$25,000,000.00).

17       5. Except as otherwise provided for in paragraph 7 of this  
18 subsection and paragraph 2 of subsection L of this section, for the  
19 fiscal year ending June 30, 2006, and each fiscal year thereafter,  
20 in order to qualify for a refund of gross production tax on wells  
21 which are exempt pursuant to subparagraphs b and c of paragraph 2 of  
22 this subsection, claims for refunds shall be filed within six (6)  
23 months after the first day of the fiscal year in which the refund is  
24 first available pursuant to subsection L of this section. When

1 processing applications for qualification for an exemption as  
2 provided for in paragraph 2 of subsection M of this section, the  
3 Corporation Commission shall give priority to those applications  
4 filed for an exemption pursuant to subparagraphs b and c of  
5 paragraph 2 of this subsection in order for applicants to comply  
6 with the six-month filing period as provided for in this paragraph.

7 6. If the total amount of claims for refunds made during any  
8 fiscal year are greater than the total amount of refunds allowed for  
9 that fiscal year as provided for in paragraph 4 of this subsection,  
10 the Tax Commission shall proportionately reduce the amount of each  
11 claim so that the total amount of claims equal the total amount  
12 allowed for refunds.

13 7. If the total amount of claims for a refund filed within the  
14 six-month filing period for a fiscal year is less than the total  
15 amount of refunds allowed for that fiscal year as provided for in  
16 paragraph 4 of this subsection, the Tax Commission shall pay the  
17 claims that have been filed. Then for any remaining funds, the Tax  
18 Commission shall extend the claims-filing period for three (3)  
19 months and shall pay any claims filed during the extended filing  
20 period up to the total amount of remaining funds. If the amount of  
21 claims for refunds filed during the extended filing period is  
22 greater than the total amount of remaining funds, the Tax Commission  
23 shall proportionately reduce the amount of each claim as provided  
24 for in paragraph 6 of this subsection.

1 I. 1. Except as otherwise provided by this section, the  
2 production of oil, gas or oil and gas from wells spudded or  
3 reentered between July 1, 1995, and July 1, 2009, which qualify as a  
4 new discovery pursuant to this subsection shall be exempt from the  
5 gross production tax levied pursuant to subsection B of this section  
6 from the date of first sales for a period of twenty-eight (28)  
7 months. For all such wells spudded or reentered, a refund against  
8 gross production taxes shall be issued as provided in subsection L  
9 of this section. As used in this subsection, "new discovery" means  
10 production of oil, gas or oil and gas from:

11 a. (1) for wells spudded or reentered on or after July  
12 1, 1997, a well that discovers crude oil in  
13 paying quantities that is more than one (1) mile  
14 from the nearest oil well producing from the same  
15 producing formation, and

16 (2) for wells spudded or reentered on or after July  
17 1, 1997, and prior to July 1, 2009, a well that  
18 discovers crude oil in paying quantities that is  
19 more than one (1) mile from the nearest oil well  
20 producing from the same producing interval of the  
21 same formation,

22 b. (1) for wells spudded or reentered prior to July 1,  
23 1997, a well that discovers crude oil in paying  
24 quantities beneath current production in a deeper

1 producing formation that is more than one (1)  
2 mile from the nearest oil well producing from the  
3 same deeper producing formation, and

4 (2) for wells spudded or reentered on or after July  
5 1, 1997, and prior to July 1, 2009, a well that  
6 discovers crude oil in paying quantities beneath  
7 current production in a deeper producing interval  
8 that is more than one (1) mile from the nearest  
9 oil well producing from the same deeper producing  
10 interval,

11 c. (1) for wells spudded or reentered prior to July 1,  
12 1997, a well that discovers natural gas in paying  
13 quantities that is more than two (2) miles from  
14 the nearest gas well producing from the same  
15 producing formation, and

16 (2) for wells spudded or reentered on or after July  
17 1, 1997, and prior to July 1, 2009, a well that  
18 discovers natural gas in paying quantities that  
19 is more than two (2) miles from the nearest gas  
20 well producing from the same producing interval,  
21 or

22 d. (1) for wells spudded or reentered prior to July 1,  
23 1997, a well that discovers natural gas in paying  
24 quantities beneath current production in a deeper

1 producing formation that is more than two (2)  
2 miles from the nearest gas well producing from  
3 the same deeper producing formation, and  
4 (2) for wells spudded or reentered on and after July  
5 1, 1997, and prior to July 1, 2009, a well that  
6 discovers natural gas in paying quantities  
7 beneath current production in a deeper producing  
8 interval that is more than two (2) miles from the  
9 nearest gas well producing from the same deeper  
10 producing interval.

11 2. The Corporation Commission shall deliver to the Legislature  
12 a report on the number of wells as defined by paragraph 1 of this  
13 subsection that are drilled and the amount of production from those  
14 wells. The first such report shall be delivered to the Legislature  
15 no later than February 1, 1997, and each February 1, thereafter,  
16 until the conclusion of the program.

17 J. Except as otherwise provided by this section, the production  
18 of oil, gas or oil and gas from any well, drilling of which is  
19 commenced after July 1, 2000, and prior to July 1, 2009, located  
20 within the boundaries of a three-dimensional seismic shoot and  
21 drilled based on three-dimensional seismic technology, shall be  
22 exempt from the gross production tax levied pursuant to subsection B  
23 of this section from the date of first sales as follows:  
24

1 1. If the three-dimensional seismic shoot is shot prior to July  
2 1, 2000, for a period of eighteen (18) months; and

3 2. If the three-dimensional seismic shoot is shot on or after  
4 July 1, 2000, for a period of twenty-eight (28) months.

5 For all such production, a refund against gross production taxes  
6 shall be issued as provided in subsection L of this section.

7 K. 1. The exemptions provided for in subsections F, G, I and J  
8 of this section, the exemption provided for in subparagraph a of  
9 paragraph 2 of subsection H of this section, and the exemptions  
10 provided for in subparagraphs b and c of paragraph 2 of subsection H  
11 of this section for production from wells spudded before July 1,  
12 2005, shall not apply:

13 a. to the severance or production of oil, upon  
14 determination by the Tax Commission that the ~~weighted~~  
15 average annual index price of Oklahoma oil exceeds  
16 Thirty Dollars (\$30.00) per barrel calculated on an  
17 annual calendar year basis.

18 (1) The "average annual index price" will be  
19 calculated by multiplying the West Texas  
20 Intermediate closing price by the "index price  
21 ratio". The index price ratio is defined as the  
22 immediate preceding three-year historical average  
23 ratio of the actual weighted average wellhead  
24

1                   price to the West Texas Intermediate close price  
2                   published on the last business day of each month.

3                   (2) The average annual index price will be updated  
4                   annually by the Oklahoma Tax Commission no later  
5                   than March 31 of each year.

6                   (3) If the West Texas Intermediate Crude price is  
7                   unavailable for any reason, an industry benchmark  
8                   price may be substituted and used for the  
9                   calculation of the index price as determined by  
10                   the Oklahoma Tax Commission,

11                   b. to the severance or production of oil or gas upon  
12                   which gross production taxes are paid at a rate of one  
13                   percent (1%) pursuant to the provisions of subsection  
14                   B of this section, and

15                   c. to the severance or production of gas, upon  
16                   determination by the Tax Commission that the ~~weighted~~  
17                   average ~~wellhead~~ annual index price of Oklahoma gas  
18                   exceeds Five Dollars (\$5.00) per thousand cubic feet  
19                   (mcf) calculated on an annual calendar year basis.

20                   (1) The "average annual index price" will be  
21                   calculated by multiplying the Henry Hub 3-Day  
22                   Average Close price by the "index price ratio".  
23                   The index price ratio is defined as the immediate  
24                   preceding three-year historical average ratio of

1                   the actual weighted average wellhead price to the  
2                   Henry Hub 3-Day Average Close price published on  
3                   the last business day of each month.

4                   (2) The average annual index price will be updated  
5                   annually by the Oklahoma Tax Commission no later  
6                   than March 31 of each year.

7                   (3) If the Henry Hub 3-Day Average Close price is  
8                   unavailable for any reason, an industry benchmark  
9                   price may be substituted and used for the  
10                   calculation of the index price as determined by  
11                   the Oklahoma Tax Commission.

12           2. Notwithstanding the exemptions granted pursuant to  
13 subsections E, F, G, H, I and J of this section, there shall  
14 continue to be levied upon the production of petroleum or other  
15 crude or mineral oil or natural gas or casinghead gas, as provided  
16 in subsection B of this section, from any wells provided for in  
17 subsection E, F, G, H, I or J of this section, a tax equal to one  
18 percent (1%) of the gross value of the production of petroleum or  
19 other crude or mineral oil or natural gas or casinghead gas. The  
20 tax hereby levied shall be apportioned as follows:

21           a. fifty percent (50%) of the sum collected shall be  
22                   apportioned to the County Highway Fund as provided in  
23                   subparagraph b of paragraph 1 of Section 1004 of this  
24                   title, and

1           b.    fifty percent (50%) of the sum collected shall be  
2                    apportioned to the appropriate school district as  
3                    provided in subparagraph c of paragraph 1 of Section  
4                    1004 of this title.

5           Upon the expiration of the exemption granted pursuant to  
6 subsection E, F, G, H, I or J of this section, the provisions of  
7 this paragraph shall have no force or effect.

8           L.    For all oil and gas production exempt from gross production  
9 taxes pursuant to subsections E, F, G, H, I and J of this section  
10 during a given fiscal year, a refund of gross production taxes shall  
11 be issued to the well operator or a designee in the amount of such  
12 gross production taxes paid during such period, subject to the  
13 following provisions:

14           1.   A refund shall not be claimed until after the end of such  
15 fiscal year. As used in this subsection, a fiscal year shall be  
16 deemed to begin on July 1 of one calendar year and shall end on June  
17 30 of the subsequent calendar year;

18           2.   No claims for refunds pursuant to the provisions of this  
19 subsection shall be filed more than eighteen (18) months after the  
20 first day of the fiscal year in which the refund is first available;

21           3.   No claims for refunds pursuant to the provisions of this  
22 subsection shall be filed by or on behalf of persons other than the  
23 operator or a working interest owner of record at the time of  
24 production;

1 4. No refunds shall be claimed or paid pursuant to the  
2 provisions of this subsection for oil or gas production upon which a  
3 tax is paid at a rate of one percent (1%) as specified in subsection  
4 B of this section; and

5 5. No refund shall be paid unless the person making the claim  
6 for refund demonstrates by affidavit or other means prescribed by  
7 the Tax Commission that an amount equal to or greater than the  
8 amount of the refund has been invested in the exploration for or  
9 production of crude oil or natural gas in this state by such person  
10 not more than three (3) years prior to the date of the claim. No  
11 amount of investment used to qualify for a refund pursuant to the  
12 provisions of this paragraph may be used to qualify for another  
13 refund pursuant to the provisions of this paragraph.

14 If there are insufficient funds collected from the production of  
15 oil to satisfy the refunds claimed for oil production pursuant to  
16 subsection E, F, G, H, I or J of this section, the Tax Commission  
17 shall pay the balance of the refund claims out of the gross  
18 production taxes collected from the production of gas.

19 M. 1. The Corporation Commission and the Tax Commission shall  
20 promulgate joint rules for the qualification for the exemptions  
21 provided for in subsections E, F, G, H, I and J of this section and  
22 the rules shall contain provisions for verification of any wells  
23 from which production may be qualified for the exemptions.

1           2. Any person requesting any exemption shall file an  
2 application for qualification for the exemption with the Corporation  
3 Commission which, upon finding that the well meets the requirements  
4 of subsection E, F, G, H, I or J of this section, shall approve the  
5 application for qualification.

6           3. Any person seeking an exemption shall:

7           a. file an application for the exemption with the Tax  
8 Commission which, upon determination of qualification  
9 by the Corporation Commission, shall approve the  
10 application for an exemption, and

11           b. provide a copy of the approved application to the  
12 remitter of the gross production tax.

13           4. The Tax Commission may require any person requesting an  
14 exemption to furnish necessary financial and other information or  
15 records in order to determine and justify the refund.

16           5. Upon the expiration of the exemption granted pursuant to  
17 subsection E, F, G, H, I or J of this section, the Tax Commission  
18 shall collect the gross production tax levied pursuant to this  
19 section. If a person who qualifies for the exemption elects to  
20 remit his or her own gross production tax during the exemption  
21 period, the first purchaser shall not be liable to withhold or remit  
22 the tax until the first day of the month following the receipt of  
23 written notification from the person who is qualified for such  
24

1 exemption stating that such exemption has expired and directing the  
2 first purchaser to resume tax remittance on his or her behalf.

3 N. All persons shall only be entitled to either the exemption  
4 granted pursuant to subsection D of this section or the exemption  
5 granted pursuant to subsection E, F, G, H, I or J of this section  
6 for each oil, gas or oil and gas well drilled or recompleted in this  
7 state. However, any person who qualifies for the exemption granted  
8 pursuant to subsection E, F, G, H, I or J of this section shall not  
9 be prohibited from qualification for the exemption granted pursuant  
10 to subsection D of this section, if the exemption granted pursuant  
11 to subsection E, F, G, H, I or J of this section has expired.

12 O. The Tax Commission shall have the power to require any such  
13 person engaged in mining or the production or the purchase of such  
14 asphalt, mineral ores aforesaid, oil, or gas, or the owner of any  
15 royalty interest therein to furnish any additional information by it  
16 deemed to be necessary for the purpose of correctly computing the  
17 amount of the tax; and to examine the books, records and files of  
18 such person; and shall have power to conduct hearings and compel the  
19 attendance of witnesses, and the production of books, records and  
20 papers of any person.

21 P. Any person or any member of any firm or association, or any  
22 officer, official, agent or employee of any corporation who shall  
23 fail or refuse to testify; or who shall fail or refuse to produce  
24 any books, records or papers which the Tax Commission shall require;

1 or who shall fail or refuse to furnish any other evidence or  
2 information which the Tax Commission may require; or who shall fail  
3 or refuse to answer any competent questions which may be put to him  
4 or her by the Tax Commission, touching the business, property,  
5 assets or effects of any such person relating to the gross  
6 production tax imposed by this article or exemption authorized  
7 pursuant to this section or other laws, shall be guilty of a  
8 misdemeanor, and, upon conviction thereof, shall be punished by a  
9 fine of not more than Five Hundred Dollars (\$500.00), or  
10 imprisonment in the jail of the county where such offense shall have  
11 been committed, for not more than one (1) year, or by both such fine  
12 and imprisonment; and each day of such refusal on the part of such  
13 person shall constitute a separate and distinct offense.

14 Q. The Tax Commission shall have the power and authority to  
15 ascertain and determine whether or not any report herein required to  
16 be filed with it is a true and correct report of the gross products,  
17 and of the value thereof, of such person engaged in the mining or  
18 production or purchase of asphalt and ores bearing minerals  
19 aforesaid and of oil and gas. If any person has made an untrue or  
20 incorrect report of the gross production or value or volume thereof,  
21 or shall have failed or refused to make such report, the Tax  
22 Commission shall, under the rules prescribed by it, ascertain the  
23 correct amount of either, and compute the tax.

24

1 R. The payment of the taxes herein levied shall be in full, and  
2 in lieu of all taxes by the state, counties, cities, towns, school  
3 districts and other municipalities upon any property rights attached  
4 to or inherent in the right to the minerals, upon producing leases  
5 for the mining of asphalt and ores bearing lead, zinc, jack, gold,  
6 silver or copper, or for oil, or for gas, upon the mineral rights  
7 and privileges for the minerals aforesaid belonging or appertaining  
8 to land, upon the machinery, appliances and equipment used in and  
9 around any well producing oil, or gas, or any mine producing asphalt  
10 or any of the mineral ores aforesaid and actually used in the  
11 operation of such well or mine. The payment of gross production tax  
12 shall also be in lieu of all taxes upon the oil, gas, asphalt or  
13 ores bearing minerals hereinbefore mentioned during the tax year in  
14 which the same is produced, and upon any investment in any of the  
15 leases, rights, privileges, minerals or other property described  
16 herein. Any interest in the land, other than that herein  
17 enumerated, and oil in storage, asphalt and ores bearing minerals  
18 hereinbefore named, mined, produced and on hand at the date as of  
19 which property is assessed for general and ad valorem taxation for  
20 any subsequent tax year, shall be assessed and taxed as other  
21 property within the taxing district in which such property is  
22 situated at the time.

23 S. No equipment, material or property shall be exempt from the  
24 payment of ad valorem tax by reason of the payment of the gross

1 production tax except such equipment, machinery, tools, material or  
2 property as is actually necessary and being used and in use in the  
3 production of asphalt or of ores bearing lead, zinc, jack, gold,  
4 silver or copper or of oil or gas. It is expressly declared that no  
5 ice plants, hospitals, office buildings, garages, residences,  
6 gasoline extraction or absorption plants, water systems, fuel  
7 systems, rooming houses and other buildings, nor any equipment or  
8 material used in connection therewith, shall be exempt from ad  
9 valorem tax.

10 T. The exemption from ad valorem tax set forth in subsections R  
11 and S of this section shall continue to apply to all property from  
12 which production of oil, gas or oil and gas is exempt from gross  
13 production tax pursuant to subsection D, E, F, G, H, I or J of this  
14 section.

15 SECTION 2. NEW LAW A new section of law not to be  
16 codified in the Oklahoma Statutes reads as follows:

17 A. The Oklahoma Tax Commission is authorized to enter into a  
18 lease-purchase agreement and any other agreements necessary for the  
19 acquisition of an Integrated Tax System. Payments for such  
20 agreements shall be made from any monies available to the Tax  
21 Commission.

22 B. The Oklahoma Tax Commission shall enter into contracts which  
23 will generate revenue beginning in the fiscal year ending June 30,  
24

1 2009, pursuant to the provisions of Section 264 of Title 68 of the  
2 Oklahoma Statutes.

3 C. The Oklahoma Tax Commission and the Office of State Finance  
4 are authorized to enter into such agreements as may be necessary for  
5 the utilization of monies in the Oklahoma Tax Commission and Office  
6 of State Finance Joint Computer Enhancement Fund created in Section  
7 6 of this act.

8 SECTION 3. NEW LAW A new section of law to be codified  
9 in the Oklahoma Statutes as Section 265 of Title 68, unless there is  
10 created a duplication in numbering, reads as follows:

11 A. There is hereby created in the State Treasury a fund for the  
12 Oklahoma Tax Commission to be known as the "Oklahoma Tax Commission  
13 and Office of State Finance Joint Computer Enhancement Fund". The  
14 fund shall be a continuing fund, not subject to fiscal year  
15 limitations, and shall consist of all monies deposited to the fund  
16 pursuant to law. All monies accruing to the credit of said fund are  
17 hereby appropriated and may be budgeted and expended for the  
18 purposes authorized by subsection B of this section. Expenditures  
19 from said fund shall be made upon warrants issued by the State  
20 Treasurer against claims filed as prescribed by law with the  
21 Director of State Finance for approval and payment.

22 B. Monies in the Oklahoma Tax Commission and Office of State  
23 Finance Joint Computer Enhancement Fund shall be expended for the  
24 following purposes:

1           1. To make payments on an agreement authorized by Section 5 of  
2 this act;

3           2. To make payments authorized by Section 41.5x of Title 62 of  
4 the Oklahoma Statutes; and

5           3. To the extent not needed for the above-listed purposes to be  
6 expended on other computer projects as specifically authorized by  
7 the Legislature.

8           C. Notwithstanding any other provision of law, there shall be  
9 apportioned to the Oklahoma Tax Commission and Office of State  
10 Finance Joint Computer Enhancement Fund from the monies that would  
11 otherwise be apportioned by Sections 1353, 1403 and 2352 of Title 68  
12 of the Oklahoma Statutes, the revenue received as a result of any  
13 contracts entered into by the Oklahoma Tax Commission pursuant to  
14 Section 264 of Title 68 of the Oklahoma Statutes.

15           SECTION 4.           NEW LAW           A new section of law not to be  
16 codified in the Oklahoma Statutes reads as follows:

17           The Office of State Finance is authorized to transfer to the  
18 Oklahoma Tax Commission and Office of State Finance Joint Computer  
19 Enhancement Fund any monies in its Integrated Central System  
20 Revolving Fund account available for implementation of the  
21 Integrated Central System authorized by the provisions of Enrolled  
22 Senate Bill No. 796 of the 1st Session of the 51st Oklahoma  
23 Legislature.

24

1 SECTION 5. AMENDATORY 68 O.S. 2001, Section 1353, as  
2 last amended by Section 34 of Enrolled Senate Bill No. 1830 of the  
3 2nd Session of the 51st Oklahoma Legislature, is amended to read as  
4 follows:

5 Section 1353. A. It is hereby declared to be the purpose of  
6 the Oklahoma Sales Tax Code to provide funds for the financing of  
7 the program provided for by the Oklahoma Social Security Act and to  
8 provide revenues for the support of the functions of the state  
9 government of Oklahoma, and for this purpose it is hereby expressly  
10 provided that, revenues derived pursuant to the provisions of the  
11 Oklahoma Sales Tax Code, subject to the apportionment requirements  
12 for the Oklahoma Tax Commission and Office of State Finance Joint  
13 Computer Enhancement Fund provided by Section 6 of this act, shall  
14 be apportioned as follows:

15 1. a. the following amounts shall be paid to the State  
16 Treasurer to be placed to the credit of the General  
17 Revenue Fund to be paid out pursuant to direct  
18 appropriation by the Legislature:

19	Fiscal Year	Amount
20	FY 2003 and FY 2004	86.04%
21	FY 2005	85.83%
22	FY 2006	85.54%
23	FY 2007	85.04%

24

1           FY 2008 and each fiscal

2                           year thereafter                           83.61%

3           b.    in the event that additional monies are necessary  
4                   pursuant to paragraph 5 of this section, such  
5                   additional monies shall be deducted in the proportion  
6                   determined by the State Board of Equalization pursuant  
7                   to paragraph 3 of Section ~~2~~ 2355.1B of this ~~act~~ title  
8                   from the monies apportioned to the General Revenue  
9                   Fund;

10           2.    For FY 2003, FY 2004 and FY 2005, ten and forty-two one-  
11 hundredths percent (10.42%), shall be paid to the State Treasurer to  
12 be placed to the credit of the Education Reform Revolving Fund of  
13 the State Department of Education and for FY 2006 and each fiscal  
14 year thereafter, ten and forty-six one-hundredths percent (10.46%)  
15 shall be paid to the State Treasurer to be placed to the credit of  
16 the Education Reform Revolving Fund of the State Department of  
17 Education;

18           3.    The following amounts shall be paid to the State Treasurer  
19 to be placed to the credit of the Teachers' Retirement System  
20 Dedicated Revenue Revolving Fund:

Fiscal Year	Amount
FY 2003 and FY 2004	3.54%
FY 2005	3.75%
FY 2006	4.0%



1 apporportioned to each municipality or county which levies a sales tax  
2 subject to the provisions of Section 1357.10 of this title and  
3 subsection F of Section 2701 of this title equal to the amount of  
4 sales tax revenue of such municipality or county exempted by the  
5 provisions of Section 1357.10 of this title and subsection F of  
6 Section 2701 of this title. The Oklahoma Tax Commission shall  
7 promulgate and adopt rules necessary to implement the provisions of  
8 this subsection.

9 SECTION 6. AMENDATORY 68 O.S. 2001, Section 1403, as  
10 last amended by Section 4, Chapter 366, O.S.L. 2007 (68 O.S. Supp.  
11 2007, Section 1403), is amended to read as follows:

12 Section 1403. It is hereby declared to be the purpose of  
13 Section 1401 et seq. of this title to provide for the support of the  
14 functions of the state and local government of Oklahoma; and for  
15 this purpose and to this end, it is hereby expressly provided that  
16 the revenues derived hereunder, subject to the apportionment  
17 requirements for the Oklahoma Tax Commission and Office of State  
18 Finance Joint Computer Enhancement Fund provided by Section 6 of  
19 this act, are hereby apportioned as follows:

20 1. a. the following amounts shall be paid by the Tax  
21 Commission to the State Treasurer and placed to the  
22 credit of the General Revenue Fund to be paid out  
23 pursuant to direct appropriation by the Legislature:

24 Fiscal Year Amount

1	FY 2004	85.35%
2	FY 2005	85.14%
3	FY 2006	85.54%
4	FY 2007	85.04%
5	FY 2008 and each fiscal	
6	year thereafter	83.61%

b. in the event that additional monies are necessary pursuant to paragraph 5 of this section, such additional monies shall be deducted in the proportion determined by the State Board of Equalization pursuant to paragraph 3 of Section ~~2~~ 2355.1B of this ~~act~~ title from the monies apportioned to the General Revenue Fund;

2. Ten and forty-six one-hundredths percent (10.46%) shall be paid to the State Treasurer to be placed to the credit of the Education Reform Revolving Fund of the State Department of Education;

3. The following amounts shall be paid to the State Treasurer to be placed to the credit of the Teachers' Retirement System Dedicated Revenue Revolving Fund:

Fiscal Year	Amount
FY 2003 and FY 2004	3.54%
FY 2005	3.75%
FY 2006	4.0%



1 SECTION 7. AMENDATORY 68 O.S. 2001, Section 2352, as  
2 last amended by Section 5, Chapter 366, O.S.L. 2007 (68 O.S. Supp.  
3 2007, Section 2352), is amended to read as follows:

4 Section 2352. It is hereby declared to be the purpose of  
5 Section 2351 et seq. of this title to provide revenue for general  
6 governmental functions of state government; and, for that purpose  
7 and to that end, it is expressly declared that the revenue derived  
8 herefrom and penalties and interest thereon, subject to the  
9 apportionment requirements for the Rebuilding Oklahoma Access and  
10 Driver Safety Fund, the Oklahoma Tourism and Passenger Rail  
11 Revolving Fund and the Public Transit Revolving Fund to be derived  
12 from income tax revenue that would otherwise be apportioned to the  
13 General Revenue Fund as provided by Section 1521 of Title 69 of the  
14 Oklahoma Statutes, subject to the apportionment requirements for the  
15 Oklahoma Tax Commission and Office of State Finance Joint Computer  
16 Enhancement Fund provided by Section 6 of this act, shall be  
17 distributed as follows:

18 1. For the fiscal year beginning July 1, 2002, the first Five  
19 Million Eight Hundred Thousand Dollars (\$5,800,000.00) of revenue  
20 derived pursuant to the provisions of subsections A, B and E of  
21 Section 2355 of this title shall be apportioned to the Education  
22 Reform Revolving Fund. The remainder of such revenue for the fiscal  
23 year beginning July 1, 2002, and all such revenue for each fiscal  
24 year thereafter shall be apportioned monthly as follows:

1 a. (1) the following amounts shall be paid to the State  
2 Treasurer to be placed to the credit of the  
3 General Revenue Fund of the state for such fiscal  
4 year for the support of the state government to  
5 be paid out only pursuant to appropriation by the  
6 Legislature:

Fiscal Year	Amount
FY 2003 and FY 2004	87.12%
FY 2005	86.91%
FY 2006	86.66%
FY 2007	86.16%
FY 2008 and each fiscal year thereafter	85.66%

14 (2) in the event that additional monies are necessary  
15 pursuant to paragraph 3 of this section, such  
16 additional monies shall be deducted in the  
17 proportion determined by the State Board of  
18 Equalization pursuant to paragraph 3 of Section ~~2~~  
19 2355.1B of this ~~act~~ title from the monies  
20 apportioned to the General Revenue Fund,

21 b. for FY 2003 and each fiscal year thereafter, eight and  
22 thirty-four one-hundredths percent (8.34%) shall be  
23 paid to the State Treasurer to be placed to the credit  
24 of the Education Reform Revolving Fund,

1 c. the following amounts shall be paid to the State  
2 Treasurer to be placed to the credit of the Teachers'  
3 Retirement System Dedicated Revenue Revolving Fund:

4 Fiscal Year	Amount
5 FY 2003 and FY 2004	3.54%
6 FY 2005	3.75%
7 FY 2006	4.0%
8 FY 2007	4.5%
9 FY 2008 and each fiscal	
10 year thereafter	5.0%

11 d. for FY 2003 and each fiscal year thereafter, one  
12 percent (1%) shall be placed to the credit of the Ad  
13 Valorem Reimbursement Fund;

14 2. Beginning July 1, 2003, for any period of time as certified  
15 by the Oklahoma Development Finance Authority and the Oklahoma  
16 Department of Commerce to be necessary for the repayment of  
17 obligations issued by the Oklahoma Development Finance Authority  
18 pursuant to Section 3654 of this title if the other sources of  
19 revenue paid to or apportioned to the Quality Jobs Program Incentive  
20 Leverage Fund are not adequate, including the proceeds from payment  
21 pursuant to the guaranty required by subsection M of Section 3654 of  
22 this title, an amount certified by the Oklahoma Development Finance  
23 Authority to the Oklahoma Tax Commission shall be apportioned to the  
24 Quality Jobs Program Incentive Leverage Fund before any other

1 apporportionments are made as otherwise authorized by this paragraph.  
2 The Oklahoma Development Finance Authority shall certify to the  
3 Oklahoma Tax Commission the time as of which the revenue authorized  
4 for apporportionment pursuant to this paragraph is no longer required.  
5 After the certification, the revenue derived from the income tax  
6 shall be apporportioned in the manner otherwise provided by this  
7 section. Except as otherwise provided by this paragraph, for the  
8 fiscal year beginning July 1, 2002, the first Forty-One Million One  
9 Hundred Ninety Thousand Eight Hundred Dollars (\$41,190,800.00) of  
10 revenue derived pursuant to the provisions of subsections C and D of  
11 Section 2355 of this title shall be apporportioned to the Education  
12 Reform Revolving Fund. The remainder of such revenue for the fiscal  
13 year beginning July 1, 2002, and all such revenue for each fiscal  
14 year thereafter, subject to the apporportionment requirements for the  
15 Oklahoma Tax Commission and Office of State Finance Joint Computer  
16 Enhancement Fund provided by Section 6 of this act, shall be  
17 apporportioned monthly as follows:

18 a. the following amounts shall be paid to the State  
19 Treasurer to be placed to the credit of the General  
20 Revenue Fund of the state for such fiscal year for the  
21 support of the state government to be paid out only  
22 pursuant to appropriation by the Legislature:

Fiscal Year	Amount
FY 2003 and FY 2004	78.96%

1	FY 2005	78.75%
2	FY 2006	78.50%
3	FY 2007	78.0%
4	FY 2008 and each fiscal	
5	year thereafter	77.50%

6       b.   for FY 2003 and each fiscal year thereafter, sixteen  
7           and five-tenths percent (16.5%) shall be paid to the  
8           State Treasurer to be placed to the credit of the  
9           Education Reform Revolving Fund of the State  
10          Department of Education,

11       c.   the following amounts shall be paid to the State  
12           Treasurer to be placed to the credit of the Teachers'  
13           Retirement System Dedicated Revenue Revolving Fund:

14	Fiscal Year	Amount
15	FY 2003 and FY 2004	3.54%
16	FY 2005	3.75%
17	FY 2006	4.0%
18	FY 2007	4.5%
19	FY 2008 and each fiscal	
20	year thereafter	5.0%

21       d.   for FY 2003 and each fiscal year thereafter, one  
22           percent (1%) shall be placed to the credit of the Ad  
23           Valorem Reimbursement Fund; and

1           3. During the first fiscal year after the State Board of  
2 Equalization has made a determination as provided in Section ~~2 of~~  
3 ~~Enrolled Senate Bill No. 357 of the 1st Session of the 51st Oklahoma~~  
4 ~~Legislature, as amended by Section 2 2355.1B of this act title,~~  
5 regarding a baseline amount of revenue apportioned pursuant to  
6 subparagraph c of paragraph 1 of this section, and for each fiscal  
7 year thereafter, in no event shall monies apportioned pursuant to  
8 subparagraph c of paragraph 1 of this section, paragraph 3 of  
9 Section 1353 of this title and paragraph 3 of Section 1403 of this  
10 title be less than such baseline amount.

11           SECTION 8.           AMENDATORY           47 O.S. 2001, Section 1140, as  
12 last amended by Section 77, Chapter 1, O.S.L. 2005 (47 O.S. Supp.  
13 2007, Section 1140), is amended to read as follows:

14           Section 1140. A. In municipalities having a population in  
15 excess of eight thousand five hundred (8,500) located in a county  
16 having a population in excess of one hundred thirty thousand  
17 (130,000), according to the latest Federal Decennial Census, the  
18 Oklahoma Tax Commission shall adopt rules prescribing minimum  
19 qualifications and requirements for locating motor license agencies  
20 and for persons applying for appointment as a motor license agent.  
21 Such qualifications and requirements shall include, but not be  
22 limited to, the following:

- 23           1. Necessary job skills and experience;
- 24           2. Minimum office hours;

- 1           3. Provision for sufficient staffing, equipment, office space  
2 and parking to provide maximum efficiency and maximum convenience to  
3 the public;
- 4           4. Obtainment of a faithful performance surety bond as provided  
5 for by law;
- 6           5. A requirement that operation of a motor license agency be  
7 the primary source of income for said agent;
- 8           6. That the applicant has not been convicted of a felony and  
9 that no felony charges are pending against the applicant;
- 10          7. That a complete financial statement be submitted by the  
11 applicant on forms provided by the Tax Commission;
- 12          8. That a report of the applicant's credit history be obtained  
13 through the appropriate credit bureau; and
- 14          9. That the location specified in the application for  
15 appointment as a motor license agent not be owned by a member of the  
16 Oklahoma Legislature or any person related to a member of the  
17 Oklahoma Legislature within the third degree by consanguinity or  
18 affinity and that the location not be within a three-mile radius of  
19 an existing motor license agency unless the applicant is assuming  
20 the location of an operating agency. The Tax Commission may, at its  
21 discretion, approve the relocation of an existing agency within a  
22 three-mile radius of another existing agency only if a naturally  
23 intervening geographic barrier within that radius causes the
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1 locations to be separated by not less than three (3) miles of  
2 roadway by the most direct route.

3 After the necessary information has been forwarded to the Tax  
4 Commission, each applicant shall be interviewed by the Tax  
5 Commission or its designees and each item of information shall be  
6 reviewed.

7 The qualifications and requirements specified in this subsection  
8 shall apply only to persons making application to be appointed as  
9 motor license agents on or after June 25, 1987.

10 Any person making application to the Tax Commission for the  
11 purpose of becoming a motor license agent shall pay when submitting  
12 the application, a nonrefundable application fee of One Hundred  
13 Dollars (\$100.00). All such application fees shall be deposited in  
14 the Oklahoma Tax Commission Revolving Fund.

15 Upon application by a person to serve as a motor license agent,  
16 in such counties, the Tax Commission shall make a determination  
17 whether such person and such location meets the qualifications and  
18 requirements prescribed herein and, if such be the case, shall  
19 appoint such person to serve as a motor license agent.

20 A motor license agent, appointed pursuant to this subsection  
21 shall be permitted to operate a motor license agency at a single  
22 location and shall be prohibited from operating subagencies or  
23 branch agencies, unless such subagencies or branch agencies were  
24 established prior to June 1, 1985.

1 Unless otherwise specifically provided, motor license agents  
2 appointed pursuant to this subsection shall be subject to all laws  
3 relating to motor license agents and shall be subject to removal at  
4 the will of the Tax Commission.

5 B. In all other counties of this state and in municipalities  
6 having a population of less than eight thousand five hundred (8,500)  
7 located in a county having a population in excess of one hundred  
8 thirty thousand (130,000), according to the latest Federal Decennial  
9 Census, the Tax Commission shall appoint as many motor license  
10 agents as it deems necessary to carry out the provisions of the  
11 Motor Vehicle License and Registration Act. Provided, that in  
12 counties with a population in excess of twenty-five thousand  
13 (25,000) persons, according to the latest Federal Decennial Census,  
14 having only one motor license agent serving the county, the Tax  
15 Commission shall establish at least one additional agency to serve  
16 the county.

17 Such agents shall be self-employed independent contractors, and  
18 all agents shall be under the supervision of the Tax Commission;  
19 provided, any agent authorized to issue registrations pursuant to  
20 the International Registration Plan shall also be under the  
21 supervision of the Corporation Commission, subject to rules  
22 promulgated by the Corporation Commission pursuant to the provisions  
23 of subsection E of Section 2 1166 of this ~~act~~ title. Any such  
24 agent, upon being appointed, shall furnish and file with the Tax

1 Commission a bond in such amount as may be fixed by the Tax  
2 Commission. Such agent shall be removable at the will of the Tax  
3 Commission. Such agent shall perform all duties and do such things  
4 in the administration of the laws of this state as shall be enjoined  
5 upon and required by the Tax Commission or the Corporation  
6 Commission. Provided, the Tax Commission may operate a motor  
7 license agency in any county where a vacancy occurs.

8 C. In the event of a vacancy existing by reason of resignation,  
9 removal, death or otherwise, in the position of any motor license  
10 agent, the Tax Commission is hereby empowered and authorized to take  
11 any and all actions it deems appropriate in order to provide for the  
12 orderly transition and for the maintenance of operations of the  
13 motor license agency including but not limited to the designation of  
14 one of its regular employees to serve as "acting agent" without  
15 bond, and to receive and expend all fees or charges authorized or  
16 provided by law and exercise the same powers and authority as a  
17 regularly appointed motor license agent. An acting agent may be  
18 authorized by the Tax Commission equally as the preceding agent to  
19 make disbursements from any balances in the preceding motor license  
20 agent's operating account and the agent's operating funds for the  
21 payment of expenses of operations and salaries and other overhead.  
22 If such funds are insufficient, the Tax Commission is authorized to  
23 expend from funds appropriated for the operation of the Tax  
24 Commission such amounts as are necessary to maintain and continue

1 the operation of any such motor license agency until a successor  
2 agent is appointed and qualified. The Tax Commission may require a  
3 blanket fiduciary bond of the agency employees.

4 D. Any motor license agency operated by a motor license agent  
5 who has been charged with a felony shall be closed immediately. The  
6 State Auditor and Inspector shall immediately conduct an audit of  
7 such motor license agency and forward the report of the audit to the  
8 Tax Commission for review. The Tax Commission shall determine  
9 whether the motor license agency shall be reopened and operated by  
10 the motor license agent or whether the agency shall be reopened and  
11 operated by the Tax Commission. The review of the audit and the Tax  
12 Commission determination shall be effected as soon as possible to  
13 prevent additional inconvenience to the public.

14 E. When an application for registration is made with the Tax  
15 Commission, Corporation Commission or a motor license agent, a  
16 registration fee of One Dollar and seventy-five cents (\$1.75) shall  
17 be collected for each license plate or decal issued. Such fees  
18 shall be in addition to the registration fees on motor vehicles and  
19 when an application for registration is made to the motor license  
20 agent such motor license agent shall retain a fee as provided in  
21 Section 1141.1 of this title. When the fee is paid by a person  
22 making application directly with the Tax Commission or Corporation  
23 Commission, as applicable, the registration fees shall be in the  
24 same amount as provided for motor license agents and the fee

1 provided by Section 1141.1 of this title shall be deposited in the  
2 Oklahoma Tax Commission Revolving Fund or as provided in Section 3  
3 1167 of this ~~act~~ title, as applicable. The Tax Commission shall  
4 prepare schedules of registration fees and charges for titles which  
5 shall include the fees for such agents and all fees and charges paid  
6 by a person shall be listed separately on the application and  
7 registration and totaled on the application and registration. The  
8 motor license agents shall charge only such fees as are specifically  
9 provided for by law, and all such authorized fees shall be posted in  
10 such a manner that any person shall have notice of all fees that are  
11 imposed by law.

12 F. No person shall be appointed as a motor license agent unless  
13 the person has attested under oath that the person is not related by  
14 affinity or consanguinity within the third degree to:

15 1. Any member of the Oklahoma Legislature;

16 2. Any person who has served as a member of the Oklahoma  
17 Legislature within the two-year period preceding the date of  
18 appointment as motor license agent; or

19 3. Any employee of the Tax Commission.

20 G. Any motor license agent appointed under the provisions of  
21 this title shall be responsible for all costs incurred by the Tax  
22 Commission when relocating an existing motor license agency. The  
23 Tax Commission may waive payment of such costs in case of unforeseen  
24 business or emergency conditions beyond the control of the agent.

1 SECTION 9. Section 1 of this act shall become effective January  
2 1, 2009.

3 SECTION 10. Sections 2 through 8 of this act shall become  
4 effective July 1, 2008.

5 SECTION 11. It being immediately necessary for the preservation  
6 of the public peace, health and safety, an emergency is hereby  
7 declared to exist, by reason whereof this act shall take effect and  
8 be in full force from and after its passage and approval.

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