

BILL SUMMARY
2nd Session of the 52nd Legislature

Bill No.:	HB 2432
Version:	CCS
Author:	Rep. Miller & Sen. Johnson
Date:	May 25, 2010
Impact:	Revenue to Apportion
	FY11: Increase of \$85 Million
	FY12: No Impact
	FY13, FY14, & FY15:
	Decrease of \$50 Million each year

Bill Summary

Research Analyst: Dusty Darr

The Conference Committee Substitute (CCS) for House Bill 2432 relates to the payment of Gross Production Tax rebates for horizontally drilled and deep wells spudded to a depth exceeding 15,000 feet. The measure requires that refund claims for the production periods within the fiscal years ending June 30, 2010, and June 30, 2011 be filed and received by the Tax Commission no later than December 31, 2011.

The measure also reduces the tax rate for horizontally drilled wells to a rate of 1% for a period of 48 months from the month of initial production for production commenced on or after July 1, 2011, and prior to July 1, 2015.

Refund claims for the production periods beginning on or after July 1, 2009 and ending on or before June 30, 2011, are to be paid in equal payments of a period of 36 months. The Tax Commission is required to provide the operator or designated interest owner a schedule of rebates to be paid over the 36 month period beginning after July 1, 2012, but prior to August 1, 2012. In addition, the measure provides that the Tax Commission be assessed a 9% penalty interest rate to accrue for each day that a required payment is not made by the end of the month for which payment is required.

Fiscal Summary

Fiscal Analyst: Diane Thomas

CCS for HB 2432 provides for the deferral of payments of certain gross production tax rebates (for the production periods ending June 30, 2010 and June 30, 2011) for horizontally drilled and deep wells completed below 15,000 feet.

The deferred payments will be paid out over a 3 year period beginning July 1, 2012, in a monthly amount equaling 1/36th of the total amount of claims filed.

The measure also provides for a change in the method that the exemptions are perfected. The amendment provides for an adjusted tax rate for approved horizontal and deep wells completed below 15,000 feet. The adjusted tax rate will be levied on the monthly tax report commencing July 1, 2011.

The measure further provides for an annual adjustment to the calendar year price cap based on the consumer price index.

Fiscal Analysis

The anticipated state revenue impact is: an increase of \$85 million apportionment in FY11; no impact in FY12 and a decrease of \$50 million each year in FY13, FY14 and FY15.

Long Term Fiscal Considerations

As stated above.

Fiscal Analysis Reviewed By:

Janice Buchanan

House Fiscal Director