

BILL SUMMARY
2nd Session of the 54th Legislature

Bill No.:	HB 2562
Version:	SUBPCS1
Request Number:	9853
Author:	Rep. Dank
Date:	2/17/2014
Impact:	Preliminary Tax Commission Estimate: Still Undergoing Additional Analysis

Research Analysis

Not required.

Prepared By: Marcia Goff

Fiscal Analysis

House Bill 2562 Proposed Subcommittee Substitute proposes to change the gross production base tax rate from 7% to 6%. The proposed legislation also creates a new incentive based upon the employment number of full-time equivalent positions. An entity that maintains a full-time equivalent employment of at least one hundred persons, but not more than four hundred ninety-nine persons, would receive a 4% incentive tax rate on all production beginning on July 1, 2014, the effective date. An entity that maintains a full-time equivalent employment of at least five hundred persons, but not more than seven hundred forty-nine persons, would receive a 3% incentive tax rate on all production beginning on the effective date. An entity that maintains a full-time equivalent employment of seven hundred fifty persons or more would receive a 2% incentive tax rate on all production beginning on the effective date. All incentives would be allowed to sunset on their current statutorily authorized sunset dates, and would then be taxed at 6%. Any wells that qualified for incentives prior to July 1, 2015 would be allowed to run the complete incentive term. The legislation also proposes to strike obsolete language.

The revenue impact associated solely with the component of the measure that changes the base gross production tax rate from 7% to 6% would initially reduce oil revenues by \$58,454,000 and natural gas revenues by \$41,775,000 for a total of \$100,229,000. The subsequent reduction to revenues would be based on the number workers employed.

The Oklahoma Tax Commission is currently in the process of trying to develop an estimated impact for the employment based rates.

Prepared By: Mark Tygret

Other Considerations

None.

