

1                   **HOUSE OF REPRESENTATIVES - FLOOR VERSION**

2                                   STATE OF OKLAHOMA

3                                   2nd Session of the 55th Legislature (2016)

4   ENGROSSED SENATE  
5   BILL NO. 1577

By: Bingman of the Senate

and

Hickman of the House

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9       An Act relating to gross production tax exemption;  
10      amending 68 O.S. 2011, Section 1001.3a, as amended by  
11      Section 2, Chapter 346, O.S.L. 2014 (68 O.S. Supp.  
12      2015, Section 1001.3a), which relates to exemption  
13      for economically at-risk oil or gas leases; limiting  
14      production eligible for exemption; clarifying time  
15      period during which refund may be paid; providing an  
16      effective date; and declaring an emergency.

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

18       SECTION 1.       AMENDATORY       68 O.S. 2011, Section 1001.3a, as  
19      amended by Section 2, Chapter 346, O.S.L. 2014 (68 O.S. Supp. 2015,  
20      Section 1001.3a), is amended to read as follows:

21       Section 1001.3a.   A.   As used in this section:

22       1.   "Economically at-risk oil or gas lease" means any oil or gas  
23      lease operated at a net loss or at a net profit which is less than  
24      the total gross production tax remitted for such lease during the  
25      previous calendar year; and

26       2.   "Lease" shall be defined as in Section 1001.2 of this title.

1       B. When certified as such pursuant to the provisions of this  
2 section, production from an economically at-risk oil or gas lease  
3 shall be eligible for an exemption from the gross production tax  
4 levied pursuant to subsection B of Section 1001 of this title for  
5 production on such lease during the previous calendar year in the  
6 following amounts:

7       1. If the gross production tax rate levied pursuant to  
8 subsection B of Section 1001 of this title was seven percent (7%),  
9 then the exemption shall equal six-sevenths (6/7) of the gross  
10 production tax levied;

11       2. If the gross production tax rate levied pursuant to  
12 subsection B of Section 1001 of this title was four percent (4%),  
13 then the exemption shall equal three-fourths (3/4) of the gross  
14 production tax levied; and

15       3. If the gross production tax rate levied pursuant to  
16 subsection B of Section 1001 of this title was one percent (1%) or  
17 two percent (2%), no exemption shall apply.

18       C. For all production exempt from gross production taxes  
19 pursuant to this section, a refund of gross production taxes paid  
20 for production in the previous calendar year in the amounts  
21 specified in this subsection shall be issued to the well operator or  
22 a designee. The refund shall not be claimed until after July 1 of  
23 the year subsequent to the year of production.

1 D. Any operator making application for an economically at-risk  
2 oil or gas lease status under the provisions of this section shall  
3 submit documentation to the Tax Commission, as determined by the Tax  
4 Commission to be appropriate and necessary including, but not  
5 limited to, the operator's federal income tax return for the  
6 previous year for such lease.

7 E. For the purposes of this section, determination of the  
8 economically at-risk oil or gas lease status shall be made by  
9 subtracting from the gross revenue of that lease for the previous  
10 calendar year severance taxes, if any, royalty, operating expenses  
11 of the lease to include expendable workover and recompletion costs  
12 for the previous calendar year, and including overhead costs up to  
13 the maximum overhead percentage allowed by the Council of Petroleum  
14 Accountants Societies (COPAS) guidelines. For the purposes of this  
15 calculation, depreciation, depletion or intangible drilling costs  
16 shall not be included as lease operating expenses.

17 F. The Tax Commission shall have sole authority to determine if  
18 an oil or gas lease qualifies for certification as an economically  
19 at-risk oil or gas lease and shall make the determination within  
20 sixty (60) days after an application is filed for economically at-  
21 risk oil or gas lease status. The Tax Commission shall promulgate  
22 rules governing the certification process.

23 G. Except as provided in subsection H of this section, gross  
24 production tax exemptions under the provisions of this section shall

1 be limited to production from calendar years 2005, 2006, 2007, 2008,  
2 2009, 2010, 2011, 2012 and 2013; provided, no claims for refunds for  
3 calendar years provided in this subsection shall be paid on or after  
4 December 31, 2015.

5 H. Gross production tax exemptions claimed under the provisions  
6 of this section shall be limited to production from calendar ~~years~~  
7 ~~2014 through 2020; provided, no claims for refunds for the calendar~~  
8 ~~years 2014 through 2020 shall be claimed or paid more than eighteen~~  
9 ~~(18) months after the first day of the fiscal year during which the~~  
10 ~~refund is first available~~ year 2014; provided, no claims for refunds  
11 provided in this subsection shall be paid on or after December 31,  
12 2016.

13 SECTION 2. This act shall become effective July 1, 2016.

14 SECTION 3. It being immediately necessary for the preservation  
15 of the public peace, health and safety, an emergency is hereby  
16 declared to exist, by reason whereof this act shall take effect and  
17 be in full force from and after its passage and approval.

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19 DIRECT TO CALENDAR.  
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