

**COMMITTEE AMENDMENT**

HOUSE OF REPRESENTATIVES

State of Oklahoma

SPEAKER:

CHAIR:

I move to amend HB1054 \_\_\_\_\_  
Of the printed Bill  
Page \_\_\_\_\_ Section \_\_\_\_\_ Lines \_\_\_\_\_  
Of the Engrossed Bill

By striking the Title, the Enacting Clause, the entire bill, and by  
inserting in lieu thereof the following language:

**AMEND TITLE TO CONFORM TO AMENDMENTS**

Amendment submitted by: Kevin Wallace

Adopted: \_\_\_\_\_

\_\_\_\_\_  
Reading Clerk

STATE OF OKLAHOMA

1st Extraordinary Session of the 56th Legislature (2017)

PROPOSED COMMITTEE  
SUBSTITUTE  
FOR  
HOUSE BILL NO. 1054

By: Wallace and Casey of the  
House

and

David and Fields of the  
Senate

PROPOSED COMMITTEE SUBSTITUTE

An Act relating to revenue and taxation; stating purpose; imposing additional tax levy upon cigarettes; specifying amount of additional levy; providing for apportionment of revenues; exempting levy from inclusion in determination of certain amounts; requiring certain collections and administration of levy; prohibiting sale of cigarette excise tax stamps to wholesalers in excess of certain amount; providing exception; creating the State Health Care Enhancement Fund; exempting fund from fiscal year limitations; identifying funding source; authorizing appropriations from fund for certain purpose; amending 68 O.S. 2011, Section 311, which relates to discount sales of tax stamps on cigarettes and tobacco; decreasing amount of discount; amending 68 O.S. 2011, Sections 402, 402-1 and 402-3, which relate to tax levies on tobacco products; providing that little cigars be taxed in the same rate and manner as cigarettes; clarifying language; imposing additional tax levy upon chewing tobacco; specifying amount of additional levy; providing for apportionment of revenues; prohibiting certain acts; declaring levy as a tax on the consumer; stating

1 purpose; imposing tax on gasoline and diesel fuel;  
2 establishing amount of tax per gallon; requiring  
3 deposit of certain revenue, penalties and interest in  
4 certain fund; amending 68 O.S. 2011, Section 500.10,  
5 which relates to exemption from motor fuels tax;  
6 extending exemptions to additional tax levy; amending  
7 69 O.S. 2011, Section 1521, as last amended by  
8 Section 93, Chapter 15, O.S.L. 2013 (69 O.S. Supp.  
9 2017, Section 1521), which relates to the Rebuilding  
10 Oklahoma Access and Driver Safety Fund; modifying  
11 calculation of certain annual apportionments;  
12 amending 37 O.S. 2011, Section 576, as last amended  
13 by Section 18, Chapter 298, O.S.L. 2014 (37 O.S.  
14 Supp. 2017, Section 576), which relates to gross  
15 receipts taxes on products sold by certain licensees;  
16 making applicable to low-point beer; defining term;  
17 providing that tax be in addition to other taxes;  
18 amending 68 O.S. 2011, Section 1001, as last amended  
19 by Section 1, Chapter 355, O.S.L. 2017 (68 O.S. Supp.  
20 2017, Section 1001), which relates to gross  
21 production tax; limiting period where certain reduced  
22 rates are applicable; implementing an additional  
23 reduced rate for certain periods; repealing 37 O.S.  
24 2011, Section 576, as last amended by Section 11 of  
this act, which relates to gross receipts taxes on  
products sold by certain licensees; repealing 68 O.S.  
2011, Section 402-2, which relates to additional tax  
on tobacco products; providing for codification;  
providing for noncodification; and providing  
effective dates.

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 302-7 of Title 68, unless there  
is created a duplication in numbering, reads as follows:

1       A. For the purpose of providing revenue for the support of the  
2 functions of state government, in addition to the tax levied in  
3 Sections 302, 302-1, 302-2, 302-3, 302-4 and 302-5 of Title 68 of  
4 the Oklahoma Statutes, there is hereby levied upon the sale, use,  
5 gift, possession or consumption of cigarettes, as defined in  
6 Sections 301 through 325 of Title 68 of the Oklahoma Statutes,  
7 within this state, a tax at the rate of seventy-five (75) mills per  
8 cigarette.

9       B. 1. Except as provided in paragraph 2 of this subsection,  
10 the revenue resulting from the additional tax levied in subsection A  
11 of this section shall be apportioned as provided in paragraph 3 of  
12 this subsection.

13       2. The net amount of any revenue resulting from a payment in  
14 lieu of excise taxes on cigarettes levied by this section, which net  
15 amount shall be calculated after deductions for rebates owed  
16 pursuant to a compact with a federally recognized Indian tribe or  
17 nation, shall be apportioned as provided in paragraph 3 of this  
18 subsection.

19       3. a. Prior to July 1, 2018, the resulting revenues as  
20 described by paragraphs 1 and 2 of this subsection  
21 shall be apportioned by the Oklahoma Tax Commission  
22 and transmitted to the State Treasurer who shall  
23 deposit such revenue in the General Revenue Fund.  
24

1           b.   Beginning July 1, 2018, the resulting revenues as  
2               described by paragraphs 1 and 2 of this subsection  
3               shall be apportioned by the Oklahoma Tax Commission  
4               and transmitted to the State Treasurer, who shall  
5               deposit such revenue to the credit of the State Health  
6               Care Enhancement Fund, created in Section 3 of this  
7               act.

8           C.   No part of the revenues resulting from the additional taxes  
9               levied in this section shall be used in determining the amount of  
10              cigarette tax collections to be paid into:

11           1.   The State of Oklahoma Building Bonds of 1961 Sinking Fund  
12               pursuant to the provisions of Sections 57.31 through 57.43 of Title  
13               62 of the Oklahoma Statutes;

14           2.   The State of Oklahoma Institutional Building Bonds of 1965  
15               Sinking Fund pursuant to the provisions of Sections 57.61 through  
16               57.73 of Title 62 of the Oklahoma Statutes;

17           3.   The State of Oklahoma Institutional Building Bonds of 1965  
18               Sinking Fund Series C and Series D pursuant to the provisions of  
19               Sections 57.81 through 57.112 of Title 62 of the Oklahoma Statutes;

20           4.   The State of Oklahoma Building Bonds of 1968 Sinking Fund  
21               pursuant to the provisions of Sections 57.121 through 57.193 of  
22               Title 62 of the Oklahoma Statutes; or  
23  
24

1        5. The Oklahoma Building Bonds of 1992 Sinking Fund pursuant to  
2 the provisions of Sections 57.300 through 57.313 of Title 62 of the  
3 Oklahoma Statutes.

4        D. The cigarette taxes levied in this section shall be  
5 collected and administered as provided by law for other cigarette  
6 taxes now levied, collected and administered pursuant to the  
7 provisions of Sections 301 through 325 of Title 68 of the Oklahoma  
8 Statutes.

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

11        The Oklahoma Tax Commission shall not sell cigarette excise tax  
12 stamps to any wholesaler in excess of the amount of the monthly  
13 average amount of such excise tax stamps sold to such wholesaler  
14 during the preceding calendar year prior to the effective date of  
15 Sections 1 and 2 of this act. Provided, the wholesaler may purchase  
16 in excess of the monthly average purchased during the preceding  
17 calendar year upon documentation, to the Tax Commission's  
18 satisfaction, of probable sales greater than the wholesaler's sales  
19 in the preceding calendar year.

20        SECTION 3.        NEW LAW        A new section of law to be codified  
21 in the Oklahoma Statutes as Section 302-7a of Title 68, unless there  
22 is created a duplication in numbering, reads as follows:

23        There is hereby created in the State Treasury a fund to be  
24 designated the "State Health Care Enhancement Fund". The fund shall

1 be a continuing fund, not subject to fiscal year limitations, and  
2 shall consist of monies received pursuant to Sections 1 and 7 of  
3 this act and any monies designated to the fund by law. All monies  
4 accruing to the credit of the fund shall be appropriated at the  
5 discretion of the Legislature for the purpose of enhancing the  
6 health of Oklahomans.

7 SECTION 4. AMENDATORY 68 O.S. 2011, Section 402, is  
8 amended to read as follows:

9 Section 402. There shall be levied, assessed, collected, and  
10 paid in respect to the articles containing tobacco enumerated in  
11 Section 401 et seq. of this title, a tax in the following amounts:

12 1. Little Cigars. Upon cigars of all descriptions made of  
13 tobacco, or any substitute therefor, and weighing not more than  
14 three (3) pounds per thousand, ~~four (4) mills for each cigar.~~  
15 ~~Provided, that~~ the tax levied on the products coming under this  
16 paragraph shall ~~not apply if~~ be equal to the tax on such products  
17 that is reported and paid as cigarette tax under Sections 301  
18 through 325 of this title. Further, the tax levied herein shall be  
19 paid in the same manner as required in Sections 301 through 325 of  
20 this title;

21 2. Cigars. Upon cigars of all descriptions made of tobacco, or  
22 any substitute therefor, weighing more than three (3) pounds per  
23 thousand and having a manufacturer's recommended retail selling  
24

1 price, under the Federal Code, of not exceeding four cents (\$0.04)  
2 per cigar, one cent (\$0.01) for each cigar;

3 3. Cigars. Upon all other cigars of all descriptions made of  
4 tobacco, or any substitute therefor, and weighing more than three  
5 (3) pounds per thousand, Twenty Dollars (\$20.00) per thousand. For  
6 the purpose of computing the tax, cheroots, stogies, etc., are  
7 hereby classed as cigars;

8 4. Smoking Tobacco. Upon all smoking tobacco including  
9 granulated, plug cut, crimp cut, ready rubbed and other kinds and  
10 forms of tobacco prepared in such manner as to be suitable for  
11 smoking in a pipe or cigarette, the tax shall be twenty-five percent  
12 (25%) of the factory list price exclusive of any trade discount,  
13 special discount or deals; and

14 5. Chewing Tobacco. Upon chewing tobacco, smokeless tobacco,  
15 and snuff, the tax shall be twenty percent (20%) of the factory list  
16 price exclusive of any trade discount, special discount or deals.

17 It shall not be permissible for a retailer to advertise that the  
18 retailer will absorb the tax due on the taxable merchandise  
19 described herein. Such tax shall be paid by the consumer.

20 Notwithstanding any other provision of law, the tax levied pursuant  
21 to the provisions of Section 401 et seq. of this title shall be part  
22 of the gross proceeds or gross receipts from the sale of cigars or  
23 tobacco products, or both, as those terms are defined in paragraph 7  
24 of Section 1352 of this title.

1       SECTION 5.       AMENDATORY       68 O.S. 2011, Section 402-1, is  
2 amended to read as follows:

3       Section 402-1. In addition to the tax levied by Section 402 of  
4 this title, there is hereby levied upon the sale, use, exchange or  
5 possession of articles containing tobacco as defined in said Section  
6 402, a tax in the following amounts:

7       ~~(a) Upon little cigars of all descriptions made of tobacco, or~~  
8 ~~any substitute therefor, and weighing not more than three (3) pounds~~  
9 ~~per thousand, two and one half (2 1/2) mills for each cigar.~~

10 ~~Provided, that the tax levied on the products coming under this~~  
11 ~~paragraph shall not apply if the tax on such products is reported~~  
12 ~~and paid as cigarette tax under Sections 301 through 325 of this~~  
13 ~~title.~~

14       ~~(b)~~ Upon cigars of all descriptions made of tobacco, or any  
15 substitute therefor, and weighing more than three (3) pounds per  
16 thousand, and having a manufacturer's recommended retail selling  
17 price, under the Federal Code, of more than four cents (\$0.04) for  
18 each cigar, Ten Dollars (\$10.00) per thousand. For the purpose of  
19 computing the tax, cheroots, stogies, etc., are hereby classed as  
20 cigars.i

21       ~~(e)~~ (b) Upon all smoking tobacco including granulated, plug cut,  
22 crimp cut, ready rubbed and other kinds and forms of tobacco  
23 prepared in such manner as to be suitable for smoking in a pipe or  
24 cigarette, the tax shall be fifteen percent (15%) of the factory

1 list price exclusive of any trade discount, special discount or  
2 deals~~;~~ and

3 ~~(d)~~ (c) Upon chewing tobacco, smokeless tobacco, and snuff, the  
4 tax shall be ten percent (10%) of the factory list price exclusive  
5 of any trade discount, special discount or deals.

6 This tax shall be paid by the consumer and no retailer may  
7 advertise that he will pay or absorb this tax.

8 ~~(e)~~ The tax herein levied on tobacco products shall be evidenced  
9 by stamps and collected on the same basis and in the same manner and  
10 in all respects as the tax levied by the Tobacco Products Tax Law.  
11 The revenue from this additional tax shall be apportioned by the  
12 Oklahoma Tax Commission in the same manner as provided in Section  
13 404 of this title, for the apportionment of other tobacco products  
14 tax revenue.

15 SECTION 6. AMENDATORY 68 O.S. 2011, Section 402-3, is  
16 amended to read as follows:

17 Section 402-3. A. In addition to the tax levied in Sections  
18 402~~7~~ and 402-1 ~~and 402-2~~ of this title, effective January 1, 2005,  
19 there shall be levied, assessed, collected, and paid in respect to  
20 the articles containing tobacco enumerated in Section 401 et seq. of  
21 this title, a tax in the following amounts:

22 1. ~~Little Cigars. Upon cigars of all descriptions made of~~  
23 ~~tobacco, or any substitute therefor, and weighing not more than~~  
24 ~~three (3) pounds per thousand, twenty-seven (27) mills for each~~

1 ~~cigar. Provided, that the tax levied on the products coming under~~  
2 ~~this paragraph shall not apply if the tax on such products is~~  
3 ~~reported and paid as cigarette tax under Sections 301 through 325 of~~  
4 ~~this title.~~

5       ~~2.~~ Cigars. Upon all ~~other~~ cigars of all descriptions made of  
6 tobacco, or any substitute therefor, and weighing more than three  
7 (3) pounds per thousand, Ninety Dollars (\$90.00) per thousand. For  
8 the purpose of computing the tax, cheroots, stogies, etc., are  
9 hereby classed as cigars;

10       ~~3.~~ 2. Smoking Tobacco. Upon all smoking tobacco including  
11 granulated, plug cut, crimp cut, ready rubbed and other kinds and  
12 forms of tobacco prepared in such manner as to be suitable for  
13 smoking in a pipe or cigarette, the tax shall be forty percent (40%)  
14 of the factory list price exclusive of any trade discount, special  
15 discount or deals; and

16       ~~4.~~ 3. Chewing Tobacco. Upon chewing tobacco, smokeless  
17 tobacco, and snuff, the tax shall be thirty percent (30%) of the  
18 factory list price exclusive of any trade discount, special discount  
19 or deals.

20       B. Except as provided in subsection C of this section, the  
21 revenue resulting from the additional tax levied in subsection A of  
22 this section shall be apportioned by the Oklahoma Tax Commission and  
23 transmitted to the State Treasurer as follows:  
24

1        1. Twenty-two and six-hundredths percent (22.06%) shall be  
2 placed to the credit of the Health Employee and Economy Improvement  
3 Act Revolving Fund created in Section 1010.1 of Title 56 of the  
4 Oklahoma Statutes;

5        2. Three and nine-hundredths percent (3.09%) shall be placed to  
6 the credit of the Comprehensive Cancer Center Debt Service Revolving  
7 Fund created in Section 160.1 of Title 62 of the Oklahoma Statutes;

8        3. Before July 1, 2008, seven and fifty-hundredths percent  
9 (7.50%) shall be placed to the credit of the Trauma Care Assistance  
10 Revolving Fund created in Section ~~1-2522~~ 1-2530.9 of Title 63 of the  
11 Oklahoma Statutes. On and after July 1, 2008, seven and fifty-  
12 hundredths percent (7.50%) shall be allocated as follows:

13            a. every month, an amount equal to the actual amount  
14 placed to the credit of the Trauma Care Assistance  
15 Revolving Fund pursuant to this paragraph for the same  
16 month of the 2008 fiscal year shall be credited to the  
17 Trauma Care Assistance Revolving Fund,

18            b. every month, any amount over and above the amount  
19 placed to the credit of the Trauma Care Assistance  
20 Revolving Fund pursuant to subparagraph a of this  
21 paragraph shall be credited to the Oklahoma Emergency  
22 Response Systems Stabilization and Improvement  
23 Revolving Fund as created in Section ~~8~~ 1-2512.1 of  
24 ~~this act~~ Title 63 of the Oklahoma Statutes until the

1 combined amount credited to the Oklahoma Emergency  
2 Response Systems Stabilization and Improvement  
3 Revolving Fund pursuant to this section and Section  
4 302-5 of this title is equal to Two Million Five  
5 Hundred Thousand Dollars (\$2,500,000.00) each year,  
6 and

7 c. any additional revenue allocated pursuant to this  
8 paragraph shall be placed to the credit of the Trauma  
9 Care Assistance Revolving Fund;

10 4. Three and nine-hundredths percent (3.09%) shall be placed to  
11 the credit of the Oklahoma State University College of Osteopathic  
12 Medicine Revolving Fund created in Section 160.2 of Title 62 of the  
13 Oklahoma Statutes;

14 5. Twenty-six and thirty-eight-hundredths percent (26.38%)  
15 shall be placed to the credit of the Oklahoma Health Care Authority  
16 Medicaid Program Fund created in Section 5020 of Title 63 of the  
17 Oklahoma Statutes for the purposes of maintaining programs and  
18 services funded under the federal "Jobs and Growth Tax Relief  
19 Reconciliation Act of 2003", reimbursing city/county-owned  
20 hospitals, increasing emergency room physician rates, and providing  
21 TEFRA 134, also known as "Katie Beckett" services;

22 6. Two and sixty-five-hundredths percent (2.65%) shall be  
23 placed to the credit of the Department of Mental Health and  
24

1 Substance Abuse Services Revolving Fund created in Section 2-303 of  
2 Title 43A of the Oklahoma Statutes;

3 7. Forty-four-hundredths of one percent (0.44%) shall be placed  
4 to the credit of the Belle Maxine Hilliard Breast and Cervical  
5 Cancer Treatment Revolving Fund created in Section 1-559 of Title 63  
6 of the Oklahoma Statutes;

7 8. One percent (1%) shall be placed to the credit of the  
8 Teachers' Retirement System Revolving Fund created in Section 158 of  
9 Title 62 of the Oklahoma Statutes;

10 9. Two and seven-hundredths percent (2.07%) shall be placed to  
11 the credit of the Education Reform Revolving Fund created in Section  
12 ~~41.29b~~ 34.89 of Title 62 of the Oklahoma Statutes;

13 10. Sixty-six-hundredths percent (.66%) shall be placed to the  
14 credit of the Tobacco Prevention and Cessation Revolving Fund  
15 created in Section 1-105d of Title 63 of the Oklahoma Statutes;

16 11. Sixteen and eighty-three-hundredths percent (16.83%) shall  
17 be placed to the credit of the General Revenue Fund; and

18 12. For fiscal years beginning July 1, 2004, and ending June  
19 30, 2006, fourteen and twenty-three-hundredths percent (14.23%)  
20 shall be apportioned to municipalities and counties that levy a  
21 sales tax, in the proportions which total municipal and county sales  
22 tax revenue was apportioned by the Tax Commission in the preceding  
23 month.

1 For fiscal years beginning July 1, 2006, and thereafter, the  
2 apportionment percentage specified in paragraph 12 of this  
3 subsection will be adjusted by dividing the total municipal and  
4 county sales tax revenue collected in the calendar year immediately  
5 preceding the commencement of the fiscal year by the sum of the  
6 state sales tax revenue and total municipal and county sales tax  
7 revenue collected in the same year. This ratio shall be divided by  
8 the ratio of the total municipal and county sales tax revenue  
9 collected in the calendar year beginning January 1, 2004, and ending  
10 December 31, 2004, divided by the sum of the state sales tax revenue  
11 and total municipal and county sales tax revenue collected in the  
12 same year. The resulting quotient shall be multiplied by fourteen  
13 and twenty-three-hundredths percent (14.23%) to determine the  
14 apportionment percentage for the fiscal year.

15 For fiscal years beginning July 1, 2006, and thereafter, any  
16 adjustment to the percentage of revenues apportioned to  
17 municipalities and counties shall be reflected in the percent of  
18 revenues apportioned to the General Revenue Fund.

19 C. The net amount of any revenue resulting from a payment in  
20 lieu of excise taxes on little cigars, cigars, smoking tobacco and  
21 chewing tobacco levied by this section, pursuant to a compact with a  
22 federally recognized Indian tribe or nation after deductions for  
23 deposits into trust accounts pursuant to such compacts, shall be  
24

1 apporportioned by the Tax Commission and transmitted to the State  
2 Treasurer as follows:

3 1. Thirty-three and forty-nine-hundredths percent (33.49%)  
4 shall be placed to the credit of the Health Employee and Economy  
5 Improvement Act Revolving Fund created in Section 1010.1 of Title 56  
6 of the Oklahoma Statutes;

7 2. Four and sixty-nine-hundredths percent (4.69%) shall be  
8 placed to the credit of the Comprehensive Cancer Center Debt Service  
9 Revolving Fund created in Section 160.1 of Title 62 of the Oklahoma  
10 Statutes;

11 3. Before July 1, 2008, eleven and thirty-nine-hundredths  
12 percent (11.39%) shall be placed to the credit of the Trauma Care  
13 Assistance Revolving Fund created in Section ~~1-2522~~ 1-2530.9 of  
14 Title 63 of the Oklahoma Statutes. On and after July 1, 2008,  
15 eleven and thirty-nine-hundredths percent (11.39%) shall be  
16 allocated as follows:

17 a. every month, an amount equal to the actual amount  
18 placed to the credit of the Trauma Care Assistance  
19 Revolving Fund pursuant to this paragraph for the same  
20 month of the 2008 fiscal year shall be credited to the  
21 Trauma Care Assistance Revolving Fund,

22 b. every month, any amount over and above the amount  
23 placed to the credit of the Trauma Care Assistance  
24 Revolving Fund pursuant to subparagraph a of this

paragraph shall be credited to the Oklahoma Emergency Response Systems Stabilization and Improvement Revolving Fund as created in Section & 1-2512.1 of ~~this act~~ Title 63 of the Oklahoma Statutes until the combined amount credited to the Oklahoma Emergency Response Systems Stabilization and Improvement Revolving Fund pursuant to this section and Section 302-5 of this title is equal to Two Million Five Hundred Thousand Dollars (\$2,500,000.00) each year, and

c. any additional revenue allocated pursuant to this paragraph shall be placed to the credit of the Trauma Care Assistance Revolving Fund;

4. Four and sixty-nine-hundredths percent (4.69%) shall be placed to the credit of the Oklahoma State University College of Osteopathic Medicine Revolving Fund created in Section 160.2 of Title 62 of the Oklahoma Statutes;

5. Forty and six-hundredths percent (40.06%) shall be placed to the credit of the Oklahoma Health Care Authority Medicaid Program Fund created in Section 5020 of Title 63 of the Oklahoma Statutes for the purposes of maintaining programs and services funded under the federal "Jobs and Growth Tax Relief Reconciliation Act of 2003", reimbursing city/county-owned hospitals, increasing emergency room

1 physician rates, and providing TEFRA 134, also known as "Katie  
2 Beckett" services;

3 6. Four and one-hundredths percent (4.01%) shall be placed to  
4 the credit of the Department of Mental Health and Substance Abuse  
5 Services Revolving Fund created in Section 2-303 of Title 43A of the  
6 Oklahoma Statutes;

7 7. Sixty-seven-hundredths percent (0.67%) shall be placed to  
8 the credit of the Belle Maxine Hilliard Breast and Cervical Cancer  
9 Treatment Revolving Fund created in Section 1-559 of Title 63 of the  
10 Oklahoma Statutes; and

11 8. One percent (1%) shall be placed to the credit of the  
12 Tobacco Prevention and Cessation Revolving Fund created in Section  
13 1-105d of Title 63 of the Oklahoma Statutes.

14 D. It shall not be permissible for a retailer to advertise that  
15 the retailer will absorb the tax due on the taxable merchandise  
16 described herein. Such tax shall be paid by the consumer.

17 SECTION 7. NEW LAW A new section of law to be codified  
18 in the Oklahoma Statutes as Section 402-4 of Title 68, unless there  
19 is created a duplication in numbering, reads as follows:

20 A. For the purpose of providing revenue for the support of the  
21 functions of state government, in addition to the tax levied in  
22 Sections 402, 402-1 and 402-3 of Title 68 of the Oklahoma Statutes,  
23 there shall be levied, assessed, collected and paid in respect to  
24

1 the articles containing tobacco enumerated in Section 401 et seq. of  
2 Title 68 of the Oklahoma Statutes, a tax in the following amounts:

3 Chewing Tobacco. Upon chewing tobacco, smokeless tobacco and  
4 snuff, the tax shall be ten percent (10%) of the factory list price  
5 exclusive of any trade discount, special discount or deals.

6 B. 1. Except as provided in paragraph 2 of this subsection,  
7 the revenue resulting from the additional tax levied in subsection A  
8 of this section shall be apportioned as provided in paragraph 3 of  
9 this subsection.

10 2. The net amount of any revenue resulting from a payment in  
11 lieu of excise taxes on chewing tobacco levied by this section,  
12 which net amount shall be calculated after deductions for rebates  
13 owed pursuant to a compact with a federally recognized Indian tribe  
14 or nation, shall be apportioned as provided in paragraph 3 of this  
15 subsection.

16 3. a. Prior to July 1, 2018, the resulting revenues as  
17 described by paragraphs 1 and 2 of this subsection  
18 shall be apportioned by the Oklahoma Tax Commission  
19 and transmitted to the State Treasurer who shall  
20 deposit such revenue in the General Revenue Fund.

21 b. Beginning July 1, 2018, the resulting revenues as  
22 described by paragraphs 1 and 2 of this subsection  
23 shall be apportioned by the Oklahoma Tax Commission  
24 and transmitted to the State Treasurer, who shall

1 deposit such revenue to the credit of the State Health  
2 Care Enhancement Fund created in Section 3 of this  
3 act.

4 C. No retailer shall advertise that the retailer will absorb  
5 the tax due on the taxable merchandise described in this section.  
6 Such tax shall be paid by the consumer.

7 SECTION 8. NEW LAW A new section of law to be codified  
8 in the Oklahoma Statutes as Section 500.4B of Title 68, unless there  
9 is created a duplication in numbering, reads as follows:

10 A. For the purpose of providing revenue for the support of the  
11 functions of state government, in addition to the tax imposed by  
12 Section 500.4 of Title 68 of the Oklahoma Statutes, there is hereby  
13 imposed a tax of six cents (\$0.06) per gallon on all:

- 14 1. Gasoline used or consumed in this state; and
- 15 2. Diesel fuel used or consumed in this state.

16 B. All remaining revenue from the tax imposed by subsection A  
17 of this section and penalties and interest thereon collected by the  
18 Oklahoma Tax Commission, after the requirements of Section 500.63 of  
19 this title have been fulfilled, shall be deposited as follows:

- 20 1. Prior to July 1, 2018, the remaining revenue shall be  
21 apportioned by the Oklahoma Tax Commission and transmitted to the  
22 State Treasurer who shall deposit such revenue in the General  
23 Revenue Fund; and

1        2. Beginning July 1, 2018, the remaining revenue shall be  
2 apportioned by the Oklahoma Tax Commission and transmitted to the  
3 State Treasurer who shall deposit such revenue in the Rebuilding  
4 Oklahoma Access and Driver Safety Fund created in Section 1521 of  
5 Title 69 of the Oklahoma Statutes.

6        SECTION 9.        AMENDATORY        68 O.S. 2011, Section 500.10, is  
7 amended to read as follows:

8        Section 500.10 Subject to the procedural requirements and  
9 conditions set out in this section and Sections 500.11 through  
10 500.17 of this title, the following are exempt from the ~~tax~~ taxes on  
11 motor fuel imposed by Section 500.4 of this title ~~on motor fuel and~~  
12 Section 8 of this act:

13        1. Motor fuel for which proof of export is available in the  
14 form of a terminal-issued destination state shipping paper:

15            a. exported by a supplier who is licensed in the  
16                destination state, or

17            b. sold by a supplier to a licensed exporter for  
18                immediate export;

19        2. Motor fuel which was acquired by an unlicensed exporter and  
20 as to which the tax imposed by Section 500.4 of this title has  
21 previously been paid or accrued and was subsequently exported by  
22 transport truck by or on behalf of the licensed exporter in a  
23 diversion across state boundaries properly reported in conformity  
24 with Section 500.46 of this title;

1        3. Motor fuel exported out of a bulk plant in this state in a  
2 tank wagon if the destination of that vehicle does not exceed  
3 twenty-five (25) miles from the border of this state and as to which  
4 the tax imposed by Section 500.4 of this title has previously been  
5 paid or accrued, subject to gallonage limits and other conditions  
6 established by the Oklahoma Tax Commission;

7        4. K-1 kerosene sold at retail through dispensers which have  
8 been designed and constructed to prevent delivery directly from the  
9 dispenser into a vehicle fuel supply tank, and K-1 kerosene sold at  
10 retail through nonbarricaded dispensers in quantities of not more  
11 than twenty-one (21) gallons for use other than for highway  
12 purposes, under such rules as the Tax Commission shall reasonably  
13 require;

14        5. Motor fuel sold to the United States or any agency or  
15 instrumentality thereof;

16        6. Motor fuel used solely and exclusively in district-owned  
17 public school vehicles or FFA and 4-H Club trucks for the purpose of  
18 legally transporting public school children, and motor fuel  
19 purchased by any school district for use exclusively in school buses  
20 leased or hired for the purpose of legally transporting public  
21 school children, or in the operation of vehicles used in driver  
22 training;

23        7. Motor fuel used solely and exclusively as fuel to propel  
24 motor vehicles on the public roads and highways of this state, when

1 leased or owned and being operated for the sole benefit of a county,  
2 city, town, a volunteer fire department with a state certification  
3 and rating, rural electric cooperatives, rural water and sewer  
4 districts, rural irrigation districts organized under the Oklahoma  
5 Irrigation District Act, conservancy districts and master  
6 conservancy districts organized under the Conservancy Act of  
7 Oklahoma, rural ambulance service districts, or federally recognized  
8 Indian tribes;

9       8. Motor fuel used as fuel for farm tractors or stationary  
10 engines owned or leased and operated by any person and used  
11 exclusively for agricultural purposes, except as to two and eight  
12 one-hundredths cents (\$0.0208) per gallon of gasoline as provided in  
13 subsection C of Section 500.4 of this title;

14       9. Gasoline, diesel fuel and kerosene sold for use as fuel to  
15 generate power in aircraft engines, whether in aircraft or for  
16 training, testing or research purposes of aircraft engines, except  
17 as to eight one-hundredths of one cent (\$0.0008) per gallon as  
18 provided in subsection B of Section 500.4 of this title;

19       10. Motor fuel sold within an Indian reservation or within  
20 Indian country by a federally recognized Indian tribe to a member of  
21 that tribe and used in motor vehicles owned by that member of the  
22 tribe. This exemption does not apply to sales within an Indian  
23 reservation or within Indian country by a federally recognized  
24

1 Indian tribe to non-Indian consumers or to Indian consumers who are  
2 not members of the tribe selling the motor fuel;

3 11. Subject to determination by the Tax Commission, that  
4 portion of diesel fuel:

5 a. used to operate equipment attached to a motor vehicle,  
6 if the diesel fuel was placed into the fuel supply  
7 tank of a motor vehicle that has a common fuel  
8 reservoir for travel on a highway and for the  
9 operation of equipment, or

10 b. consumed by the vehicle while the vehicle is parked  
11 off the highways of this state;

12 12. Motor fuel acquired by a consumer out of state and carried  
13 into this state, retained within and consumed from the same vehicle  
14 fuel supply tank within which it was imported;

15 13. Diesel fuel used as heating oil, or in railroad locomotives  
16 or any other motorized flanged-wheel rail equipment, or used for  
17 other nonhighway purposes other than as expressly exempted under  
18 another provision;

19 14. Motor fuel which was lost or destroyed as a direct result  
20 of a sudden and unexpected casualty;

21 15. Taxable diesel which had been accidentally contaminated by  
22 dye so as to be unsaleable as highway fuel as proved by proper  
23 documentation;

24 16. Dyed diesel fuel;

1 17. Motor fuel sold to the Oklahoma Space Industry Development  
2 Authority or any spaceport user as defined in the Oklahoma Space  
3 Industry Development Act; and

4 18. Biofuels or biodiesel produced by an individual with crops  
5 grown on property owned by the same individual and used in a vehicle  
6 owned by the same individual on the public roads and highways of  
7 this state.

8 SECTION 10. AMENDATORY 69 O.S. 2011, Section 1521, as  
9 last amended by Section 93, Chapter 15, O.S.L. 2013 (69 O.S. Supp.  
10 2017, Section 1521), is amended to read as follows:

11 Section 1521. A. There is hereby created in the State Treasury  
12 a fund to be known as the "Rebuilding Oklahoma Access and Driver  
13 Safety Fund". The fund shall be a continuing fund, not subject to  
14 fiscal year limitations, and shall consist of all appropriations and  
15 transfers made by the Legislature. All monies accruing to the  
16 credit of the fund are hereby appropriated and may be budgeted and  
17 expended each fiscal year by the Department of Transportation for  
18 the purposes authorized by subsection G of this section.

19 Expenditures from the fund shall be made upon warrants issued by the  
20 State Treasurer against claims filed as prescribed by law with the  
21 Director of the Office of Management and Enterprise Services for  
22 approval and payment.

23 B. ~~There~~ Beginning July 1, 2018, except for an amount  
24 equivalent to the amount of revenue apportioned pursuant to Section

1 8 of this act, there shall be apportioned to the funds specified in  
2 this subsection from the monies that would otherwise be apportioned  
3 to the General Revenue Fund by Section 2352 of Title 68 of the  
4 Oklahoma Statutes from the revenues derived pursuant to subsections  
5 A, B and E of Section 2355 of Title 68 of the Oklahoma Statutes  
6 amounts as follows:

7 1. For each fiscal year, subject to the provisions of paragraph  
8 3 of this subsection, and, except for the amount prescribed by  
9 subparagraph a of this paragraph, subject to any reductions required  
10 by subsection F of this section, there shall be apportioned to the  
11 Rebuilding Oklahoma Access and Driver Safety Fund:

12 a. for the fiscal year beginning July 1, 2011, the first  
13 Thirty-five Million Seven Hundred Thousand Dollars  
14 (\$35,700,000.00), for the fiscal year beginning July  
15 1, 2012, the first Forty-one Million Seven Hundred  
16 Thousand Dollars (\$41,700,000.00) and for the fiscal  
17 year beginning July 1, 2013, and for each fiscal year  
18 thereafter, Fifty-nine Million Seven Hundred Thousand  
19 Dollars (\$59,700,000.00), which shall be allocated and  
20 used by the Department of Transportation first for the  
21 purpose of making any required payments for principal,  
22 interest or other costs of borrowing with respect to  
23 the obligations issued pursuant to Section 341 of  
24 Title 73 of the Oklahoma Statutes and after any such

1 required payment has been made then for the purposes  
2 otherwise authorized by this section, plus

3 b. the total amount apportioned to the Rebuilding  
4 Oklahoma Access and Driver Safety Fund for the  
5 preceding fiscal year which, except for the amount  
6 prescribed by subparagraph a of this paragraph, shall  
7 be apportioned before any other amount is apportioned  
8 pursuant to Section 2352 of Title 68 of the Oklahoma  
9 Statutes, plus

10 c. an additional incremental amount which shall not be in  
11 excess of the amount prescribed by subparagraph a of  
12 this paragraph and that is required in order for the  
13 total apportionment to the Rebuilding Oklahoma Access  
14 and Driver Safety Fund from all sources for such  
15 fiscal year to equal Five Hundred Seventy-five Million  
16 Dollars (\$575,000,000.00).

17 All amounts apportioned pursuant to this paragraph shall be  
18 divided into twelve equal amounts to be apportioned each month  
19 during the fiscal year except the amount specified in subparagraph a  
20 of this paragraph which amount shall be allocated in its full amount  
21 in cash not later than July 30 each year or such later date as may  
22 be required in order for the amount to be allocated in cash;

23 2. For each fiscal year after the apportionments required by  
24 paragraph 1 of this subsection have been made:

1           a.    the next Two Million Dollars (\$2,000,000.00) shall be  
2                   apportioned to the Oklahoma Tourism and Passenger Rail  
3                   Revolving Fund created pursuant to Section 325 of  
4                   Title 66 of the Oklahoma Statutes to be used for  
5                   capital and operating costs for the "Heartland Flyer"  
6                   rail project, and

7           b.    the next Three Million Dollars (\$3,000,000.00) shall  
8                   be apportioned to the Public Transit Revolving Fund  
9                   created pursuant to Section 4031 of this title to be  
10                  used for purposes authorized by law other than the  
11                  purpose described by subparagraph a of this paragraph.

12           All amounts apportioned pursuant to this paragraph shall be  
13           divided into twelve equal amounts to be apportioned each month  
14           during the fiscal year; and

15           3.    For each fiscal year after the first fiscal year in which  
16           the total apportionment to the Rebuilding Oklahoma Access and Driver  
17           Safety Fund as provided by paragraph 1 of this subsection and from  
18           other sources equals Five Hundred Seventy-five Million Dollars  
19           (\$575,000,000.00), except for an amount equivalent to the amount of  
20           revenue apportioned pursuant to Section 8 of this act, the first  
21           Five Hundred Seventy-five Million Dollars (\$575,000,000.00)  
22           collected pursuant to subsections A, B and E of Section 2355 of  
23           Title 68 of the Oklahoma Statutes and apportioned pursuant to  
24           Section 2352 of Title 68 of the Oklahoma Statutes that would

1 otherwise be apportioned to the General Revenue Fund shall be  
2 apportioned to the Rebuilding Oklahoma Access and Driver Safety  
3 Fund. With the exception of the amount prescribed by subparagraph a  
4 of paragraph 1 of this subsection, all amounts apportioned pursuant  
5 to this paragraph shall be divided into twelve equal amounts to be  
6 apportioned each month during the fiscal year.

7 C. The apportionments of revenues required by subparagraphs a,  
8 b and c of paragraph 1 of subsection B of this section shall be made  
9 until the total annual apportionment from such sources in addition  
10 to the apportionment made pursuant to Section 8 of this act to the  
11 Rebuilding Oklahoma Access and Driver Safety Fund equals Five  
12 Hundred Seventy-five Million Dollars (\$575,000,000.00). After such  
13 annual apportionment level is reached, the apportionment to the fund  
14 shall be governed by the provisions of paragraph 3 of subsection B  
15 of this section.

16 D. The monies apportioned to the Rebuilding Oklahoma Access and  
17 Driver Safety Fund shall not be used to supplant or replace existing  
18 state funds used for transportation purposes.

19 E. In order to ensure that the funds from the ROADS Fund are  
20 used to enhance and not supplant state funding for the Department of  
21 Transportation, the State Board of Equalization shall examine and  
22 investigate expenditures from the fund each year. For purposes of  
23 this examination, monies used to retire outstanding debt obligations  
24 for which the Department of Transportation is responsible shall be

1 excluded. At the meeting of the State Board of Equalization held  
2 within five (5) days after the monthly apportionment in February of  
3 each year, the State Board of Equalization shall issue a finding and  
4 report which shall state whether expenditures from the ROADS Fund  
5 were used to enhance or supplant state funding for the Department of  
6 Transportation. If the State Board of Equalization finds that state  
7 funding for the Department of Transportation was supplanted by funds  
8 from the ROADS Fund, the Board shall specify the amount by which  
9 such funding was supplanted. In this event, the Legislature shall  
10 not make any appropriations for the ensuing fiscal year until an  
11 appropriation in that amount is made to replenish state funding for  
12 the Department of Transportation.

13 F. In the event that the Director of the Office of Management  
14 and Enterprise Services declares a General Revenue Fund revenue  
15 failure pursuant to Section 34.49 of Title 62 of the Oklahoma  
16 Statutes, and agency allocations are reduced pursuant to the  
17 provisions of Section 34.49 of Title 62 of the Oklahoma Statutes,  
18 the amounts that would otherwise be apportioned to the ROADS Fund  
19 by:

20 1. Subparagraph a of paragraph 1 of subsection B of this  
21 section, only to the extent that the amount is not required for debt  
22 service related to the obligations authorized pursuant to Section  
23 341 of Title 73 of the Oklahoma Statutes;

1        2. Subparagraphs b and c of paragraph 1 of subsection B of this  
2 section; and

3        3. Subparagraphs a and b of paragraph 2 of subsection B of this  
4 section,

5 shall be reduced by a percentage equal to that required of the  
6 General Revenue Fund appropriations to state agencies and such  
7 reductions shall occur during the entire fiscal year and for any  
8 month during which such reductions are required by the Office of  
9 Management and Enterprise Services and by the same percentage as  
10 that required of the agencies for such General Revenue Fund  
11 appropriations.

12        G. The Department of Transportation shall use the monies in the  
13 Rebuilding Oklahoma Access and Driver Safety Fund for:

14        1. The construction and maintenance of state roads, bridges and  
15 highways;

16        2. The direct expenses of operating and maintaining the state  
17 highway system, including bridges;

18        3. Direct expenses incurred in constructing, repairing, and  
19 maintaining state highways, farm-to-market roads, county highways  
20 and bridges as authorized by law;

21        4. Matching federal funds;

22        5. The purchase of materials, tools, machinery, motor vehicles,  
23 and equipment necessary or convenient for the construction and  
24 maintenance of the state highway system and bridges;

1       6. Debt service incurred prior to January 1, 2006, for Capital  
2 Improvement Program bonds sold pursuant to Section 2001 of this  
3 title; and

4       7. Debt service incurred on or after July 1, 2009, with respect  
5 to obligations authorized to be issued pursuant to Section 341 of  
6 Title 73 of the Oklahoma Statutes.

7       H. From the monies allocated pursuant to the provisions of  
8 subparagraph a of paragraph 1 of subsection B of this section each  
9 fiscal year, the Department of Transportation shall make payments  
10 required for the payment of principal, interest and other costs  
11 related to the obligations issued by the Oklahoma Capitol  
12 Improvement Authority as authorized by Section 341 of Title 73 of  
13 the Oklahoma Statutes and such payments shall be made by the  
14 Department each fiscal year before such monies are used for any  
15 other purpose.

16       SECTION 11.       AMENDATORY       37 O.S. 2011, Section 576, as  
17 last amended by Section 18, Chapter 298, O.S.L. 2014 (37 O.S. Supp.  
18 2017, Section 576), is amended to read as follows:

19       Section 576. A. A tax at the rate of thirteen and one-half  
20 percent (13.5%) is hereby levied and imposed on the total gross  
21 receipts of a holder of a mixed beverage, caterer, public event or  
22 special event license, issued by the ABLE Commission, and a retail  
23 dealer licensed under Section 163.7 of this title to sell low-point  
24 beer for consumption on premises, from:

1        1. The sale, preparation or service of mixed beverages and low-  
2 point beer;

3        2. The total retail value of complimentary or discounted mixed  
4 beverages and low-point beer;

5        3. Ice or nonalcoholic beverages that are sold, prepared or  
6 served for the purpose of being mixed with alcoholic beverages and  
7 low-point beer and consumed on the premises where the sale,  
8 preparation or service occurs; and

9        4. Any charges for the privilege of admission to a mixed  
10 beverage establishment or retail dealer establishment which entitle  
11 a person to complimentary mixed beverages or discounted prices for  
12 mixed beverages, or complimentary low-point beer or discounted  
13 prices for low-point beer.

14        B. For purposes of this section:

15        1. "Mixed beverages" means mixed beverages as defined by  
16 Section 506 of this title;

17        2. "Total gross receipts" means the total amount of  
18 consideration received as charges for admission to a mixed beverage  
19 establishment or retail dealer establishment as provided in  
20 paragraph 4 of subsection A of this section and the total retail  
21 sale price received for the sale, preparation or service of mixed  
22 beverages, low-point beer, ice, and nonalcoholic beverages to be  
23 mixed with alcoholic beverages and low-point beer. The advertised  
24

1 price of a mixed beverage may be the sum of the total retail sale  
2 price and the gross receipts tax levied thereon; ~~and~~

3 3. "Total retail value" means the total amount of consideration  
4 that would be required for the sale, preparation or service of mixed  
5 beverages; and

6 4. "Low-point beer" means low-point beer as defined by Section  
7 163.2 of this title.

8 C. The gross receipts tax levied by this section shall be in  
9 addition to the excise tax levied in Section 163.3 of this title,  
10 the excise tax levied in Section 553 of this title, the sales tax  
11 levied in the Oklahoma Sales Tax Code and to any municipal or county  
12 sales taxes.

13 D. The gross receipts tax levied by this section is hereby  
14 declared to be a direct tax upon the receipt of consideration for  
15 any charges for admission to a mixed beverage establishment or  
16 retail dealer establishment as provided in paragraph 4 of subsection  
17 A of this section, for the sale, preparation or service of mixed  
18 beverages, low-point beer, ice, and nonalcoholic beverages to be  
19 mixed with alcoholic beverages and low-point beer, and the total  
20 retail value of complimentary or discounted mixed beverages and low-  
21 point beer.

22 E. The total of the retail sale price received for the sale,  
23 preparation or service of mixed beverages, low-point beer, ice, and  
24 nonalcoholic beverages to be mixed with alcoholic beverages and low-

1 point beer shall be the total gross receipts for purposes of  
2 calculating the sales tax levied in the Oklahoma Sales Tax Code.

3 SECTION 12. AMENDATORY 68 O.S. 2011, Section 1001, as  
4 last amended by Section 1, Chapter 355, O.S.L. 2017 (68 O.S. Supp.  
5 2017, Section 1001), is amended to read as follows:

6 Section 1001. A. There is hereby levied upon the production of  
7 asphalt, ores bearing lead, zinc, jack and copper a tax equal to  
8 three-fourths of one percent ( $\frac{3}{4}$  of 1%) on the gross value thereof.

9 B. 1. Effective July 1, 2013, through June 30, 2015, except as  
10 otherwise exempted pursuant to subsections D, E, F, G, H, I and J of  
11 this section, there shall be levied upon the production of oil a tax  
12 equal to seven percent (7%) of the gross value of the production of  
13 oil based on a per barrel measurement of forty-two (42) U.S. gallons  
14 of two hundred thirty-one (231) cubic inches per gallon, computed at  
15 a temperature of sixty (60) degrees Fahrenheit.

16 2. Effective July 1, 2013, through June 30, 2015, except as  
17 otherwise exempted pursuant to subsections D, E, F, G, H, I and J of  
18 this section, there shall be levied a tax equal to seven percent  
19 (7%) of the gross value of the production of gas.

20 3. Effective July 1, 2015, except as otherwise provided in this  
21 section, there shall be levied a tax on the gross value of the  
22 production of oil and gas as follows:

- 23 a. upon the production of oil a tax equal to seven  
24 percent (7%) of the gross value of the production of

oil based on a per barrel measurement of forty-two (42) U.S. gallons of two hundred thirty-one (231) cubic inches per gallon, computed at a temperature of sixty (60) degrees Fahrenheit,

b. upon the production of gas a tax equal to seven percent (7%) of the gross value of the production of gas, ~~and~~

c. notwithstanding the levies in subparagraphs a and b of this paragraph, the production of oil, gas, or oil and gas from wells spudded on or after July 1, 2015, and prior to the effective date of this act, shall be taxed at a rate of two percent (2%) commencing with the month of first production for a period of thirty-six (36) months. Thereafter, the production shall be taxed as provided in subparagraphs a and b of this paragraph, and

d. notwithstanding the levies in subparagraphs a and b of this paragraph, the production of oil, gas, or oil and gas from wells spudded on or after the effective date of this act, shall be subject to a reduced rate of four percent (4%) commencing with the month of first production for a period of thirty-six (36) months. Thereafter, the production shall be taxed as provided in subparagraphs a and b of this paragraph.

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

4 D. 1. Except as otherwise provided in this section, for  
5 secondary recovery projects approved or having an initial project  
6 beginning date on or after July 1, 2000, and before July 1, 2017,  
7 any incremental production attributable to the working interest  
8 owners which results from such secondary recovery projects shall be  
9 exempt from the gross production tax levied pursuant to this section  
10 for a period not to exceed five (5) years from the initial project  
11 beginning date or for a period ending upon the termination of the  
12 secondary recovery process, whichever occurs first; provided  
13 however, that the exemption provided by this paragraph shall not  
14 apply to production occurring on or after July 1, 2017.

15 2. Except as otherwise provided in this section, for tertiary  
16 recovery projects approved and having a project beginning date on or  
17 after July 1, 1993, and before July 1, 2017, any incremental  
18 production attributable to the working interest owners which results  
19 from such tertiary recovery projects shall be exempt from the gross  
20 production tax levied pursuant to this section from the project  
21 beginning date until project payback is achieved, but not to exceed  
22 a period of ten (10) years; provided however, that the exemption  
23 provided by this paragraph shall not apply to production occurring  
24 on or after July 1, 2017. Project payback pursuant to this

1 paragraph shall be determined by appropriate payback indicators  
2 which will provide for the recovery of capital expenses and  
3 operating expenses, excluding administrative expenses, in  
4 determining project payback. The capital expenses of pipelines  
5 constructed to transport carbon dioxide to a tertiary recovery  
6 project shall not be included in determining project payback  
7 pursuant to this paragraph.

8 3. The provisions of this subsection shall also not apply to  
9 any enhanced recovery project using fresh water as the primary  
10 injectant, except when using steam.

11 4. For purposes of this subsection:

12 a. "incremental production" means the amount of crude oil  
13 or other liquid hydrocarbons which is produced during  
14 an enhanced recovery project and which is in excess of  
15 the base production amount of crude oil or other  
16 liquid hydrocarbons. The base production amount shall  
17 be the average monthly amount of production for the  
18 twelve-month period immediately prior to the project  
19 beginning date minus the monthly rate of production  
20 decline for the project for each month beginning one  
21 hundred eighty (180) days prior to the project  
22 beginning date. The monthly rate of production  
23 decline shall be equal to the average extrapolated  
24 monthly decline rate for the twelve-month period

1 immediately prior to the project beginning date as  
2 determined by the Corporation Commission based on the  
3 production history of the field, its current status,  
4 and sound reservoir engineering principles, and

5 b. "project beginning date" means the date on which the  
6 injection of liquids, gases, or other matter begins on  
7 an enhanced recovery project.

8 5. The Corporation Commission shall promulgate rules for the  
9 qualification for this exemption which shall include, but not be  
10 limited to, procedures for determining incremental production as  
11 defined in subparagraph a of paragraph 4 of this subsection, and the  
12 establishment of appropriate payback indicators as approved by the  
13 Tax Commission for the determination of project payback for each of  
14 the exemptions authorized by this subsection.

15 6. For new secondary recovery projects and tertiary recovery  
16 projects approved by the Corporation Commission on or after July 1,  
17 1993, and before July 1, 2017, such approval shall constitute  
18 qualification for an exemption.

19 7. Any person seeking an exemption shall file an application  
20 for such exemption with the Tax Commission which, upon determination  
21 of qualification by the Corporation Commission, shall approve the  
22 application for such exemption.

1        8. The Tax Commission may require any person requesting such  
2 exemption to furnish information or records concerning the exemption  
3 as is deemed necessary by the Tax Commission.

4        9. Upon the expiration of the exemption granted pursuant to  
5 this subsection, the Tax Commission shall collect the gross  
6 production tax levied pursuant to this section.

7        E. 1. Except as otherwise provided in this section, the  
8 production of oil, gas or oil and gas from a horizontally drilled  
9 well producing prior to July 1, 2011, which production commenced  
10 after July 1, 2002, shall be exempt from the gross production tax  
11 levied pursuant to subsection B of this section from the project  
12 beginning date until project payback is achieved but not to exceed a  
13 period of forty-eight (48) months commencing with the month of  
14 initial production from the horizontally drilled well. For purposes  
15 of subsection D of this section and this subsection, project payback  
16 shall be determined as of the date of the completion of the well and  
17 shall not include any expenses beyond the completion date of the  
18 well, and subject to the approval of the Tax Commission.

19        2. Claims for refund for the production periods within the  
20 fiscal years ending June 30, 2010, and June 30, 2011, shall be filed  
21 and received by the Tax Commission no later than December 31, 2011.

22        3. For production commenced on or after July 1, 2011, and prior  
23 to July 1, 2015, the tax levied pursuant to the provisions of this  
24 section on the production of oil, gas or oil and gas from a

1 horizontally drilled well shall be reduced to a rate of one percent  
2 (1%) for a period of forty-eight (48) months from the month of  
3 initial production; provided however, such production occurring on  
4 or after the effective date of this act for the remainder of such  
5 forty-eight-month period shall be subject to a reduced rate of four  
6 percent (4%). The taxes collected from the production of oil shall  
7 be apportioned pursuant to the provisions of paragraph 7 of  
8 subsection B of Section 1004 of this title. The taxes collected  
9 from the production of gas shall be apportioned pursuant to the  
10 provisions of paragraph 3 of subsection B of Section 1004 of this  
11 title.

12 4. The production of oil, gas or oil and gas on or after July  
13 1, 2011, and prior to July 1, 2015, from these qualifying wells  
14 shall be taxed at a rate of one percent (1%) until the expiration of  
15 forty-eight (48) months commencing with the month of initial  
16 production.

17 5. 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;  
4 provided however, that the exemption provided by this paragraph  
5 shall not apply to production occurring on or after July 1, 2017.  
6 This exemption shall take effect July 1, 1994, and shall apply to  
7 wells for which work to reestablish or enhance production began on  
8 or after July 1, 1994, and for which production is reestablished  
9 prior to July 1, 2017. For all such production, a refund against  
10 gross production taxes shall be issued as provided in subsection L  
11 of this section.

12 2. As used in this subsection, for wells for which production  
13 is reestablished prior to July 1, 1997, "inactive well" means any  
14 well that has not produced oil, gas or oil and gas for a period of  
15 not less than two (2) years as evidenced by the appropriate forms on  
16 file with the Corporation Commission reflecting the well's status.  
17 As used in this subsection, for wells for which production is  
18 reestablished on or after July 1, 1997, and prior to July 1, 2017,  
19 "inactive well" means any well that has not produced oil, gas or oil  
20 and gas for a period of not less than one (1) year as evidenced by  
21 the appropriate forms on file with the Corporation Commission  
22 reflecting the well's status. Wells which experience mechanical  
23 failure or loss of mechanical integrity, as defined by the  
24 Corporation Commission, including but not limited to, casing leaks,

1 collapse of casing or loss of equipment in a wellbore, or any  
2 similar event which causes cessation of production, shall also be  
3 considered inactive wells.

4 G. 1. Except as otherwise provided by this section, any  
5 incremental production which results from a production enhancement  
6 project shall be exempt from the gross production tax levied  
7 pursuant to subsection B of this section for a period of twenty-  
8 eight (28) months from the date of first sale after project  
9 completion of the production enhancement project; provided however,  
10 that the exemption provided by this paragraph shall not apply to  
11 production occurring on or after July 1, 2017. This exemption shall  
12 take effect July 1, 1994, and shall apply to production enhancement  
13 projects having a project beginning date on or after July 1, 1994,  
14 and prior to July 1, 2017. For all such production, a refund  
15 against gross production taxes shall be issued as provided in  
16 subsection L of this section.

17 2. As used in this subsection:

18 a. for production enhancement projects having a project  
19 beginning date on or after July 1, 1997, and prior to  
20 July 1, 2017, "production enhancement project" means  
21 any workover as defined in this paragraph,  
22 recompletion as defined in this paragraph, reentry of  
23 plugged and abandoned wellbores, or addition of a well  
24 or field compression,

1           b. "incremental production" means the amount of crude  
2           oil, natural gas or other hydrocarbons which are  
3           produced as a result of the production enhancement  
4           project in excess of the base production,

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

d. for production enhancement projects having a project beginning date on or after July 1, 1997, and prior to July 1, 2017, "recompletion" means any downhole operation in an existing oil or gas well that is conducted to establish production of oil or gas from any geologic interval not currently completed or producing in such existing oil or gas well within the same or a different geologic formation, and

e. "workover" means any downhole operation in an existing oil or gas well that is designed to sustain, restore or increase the production rate or ultimate recovery in a geologic interval currently completed or producing in the existing oil or gas well. For production enhancement projects having a project beginning date on or after July 1, 1997, and prior to July 1, 2017, "workover" includes, but is not limited to:

- (1) acidizing,
- (2) reperforating,
- (3) fracture treating,
- (4) sand/paraffin/scale removal or other wellbore cleanouts,
- (5) casing repair,
- (6) squeeze cementing,

- (7) installation of compression on a well or group of wells or initial installation of artificial lifts on gas wells, including plunger lifts, rod pumps, submersible pumps and coiled tubing velocity 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

1 drilled to a depth of twelve thousand five hundred  
2 (12,500) feet or greater and wells spudded between  
3 July 1, 2005, and July 1, 2015, and drilled to a depth  
4 between twelve thousand five hundred (12,500) feet and  
5 fourteen thousand nine hundred ninety-nine (14,999)  
6 feet shall be exempt from the gross production tax  
7 levied pursuant to subsection B of this section from  
8 the date of first sales for a period of twenty-eight  
9 (28) months; provided however, that the exemption  
10 provided by this subparagraph shall not apply to  
11 production occurring on or after July 1, 2017,

12 b. the production of oil, gas or oil and gas from wells  
13 spudded between July 1, 2002, and July 1, 2005, and  
14 drilled to a depth of fifteen thousand (15,000) feet  
15 or greater and wells spudded between July 1, 2005, and  
16 July 1, 2011, and drilled to a depth between fifteen  
17 thousand (15,000) feet and seventeen thousand four  
18 hundred ninety-nine (17,499) feet shall be exempt from  
19 the gross production tax levied pursuant to subsection  
20 B of this section from the date of first sales for a  
21 period of forty-eight (48) months,

22 c. the production of oil, gas or oil and gas from wells  
23 spudded between July 1, 2002, and July 1, 2011, and  
24 drilled to a depth of seventeen thousand five hundred

1 (17,500) feet or greater shall be exempt from the  
2 gross production tax levied pursuant to subsection B  
3 of this section from the date of first sales for a  
4 period of sixty (60) months,

5 d. the tax levied pursuant to the provisions of this  
6 section on the production of oil, gas or oil and gas  
7 from wells spudded between July 1, 2011, and July 1,  
8 2015, and drilled to a depth between fifteen thousand  
9 (15,000) feet and seventeen thousand four hundred  
10 ninety-nine (17,499) feet shall be reduced to a rate  
11 of four percent (4%) for a period of forty-eight (48)  
12 months from the date of first sales. The taxes  
13 collected from the production of oil shall be  
14 apportioned pursuant to the provisions of paragraph 7  
15 of subsection B of Section 1004 of this title. The  
16 taxes collected from the production of gas shall be  
17 apportioned pursuant to the provisions of paragraph 3  
18 of subsection B of Section 1004 of this title,

19 e. the tax levied pursuant to the provisions of this  
20 section on the production of oil, gas or oil and gas  
21 from wells spudded between July 1, 2011, and July 1,  
22 2015, and drilled to a depth of seventeen thousand  
23 five hundred (17,500) feet or greater shall be reduced  
24 to a rate of four percent (4%) for a period of sixty

(60) months from the date of first sales. The taxes collected from the production of oil shall be apportioned pursuant to the provisions of paragraph 7 of subsection B of Section 1004 of this title. The taxes collected from the production of gas shall be apportioned pursuant to the provisions of paragraph 3 of subsection B of Section 1004 of this title, and

f. the provisions of subparagraphs b and c of this paragraph shall only apply to the production of wells qualifying for the exemption provided under these subparagraphs prior to July 1, 2011. The production of oil, gas or oil and gas on or after July 1, 2011, and before July 1, 2015, from wells qualifying under subparagraph b of this paragraph shall be taxed at a rate of four percent (4%) until the expiration of forty-eight (48) months from the date of first sales and the production of oil, gas or oil and gas on or after July 1, 2011, and before July 1, 2015, from wells qualifying under subparagraph c of this paragraph shall be taxed at a rate of four percent (4%) until the expiration of sixty (60) months from the date of first sales.

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

4       I. Except as otherwise provided by this section, the production  
5 of oil, gas or oil and gas from wells spudded or reentered between  
6 July 1, 1995, and July 1, 2015, which qualify as a new discovery  
7 pursuant to this subsection shall be exempt from the gross  
8 production tax levied pursuant to subsection B of this section from  
9 the date of first sales for a period of twenty-eight (28) months;  
10 provided however, that the exemption provided by this subsection  
11 shall not apply to production occurring on or after July 1, 2017.  
12 For all such wells spudded or reentered, a refund against gross  
13 production taxes shall be issued as provided in subsection L of this  
14 section. As used in this subsection, "new discovery" means  
15 production of oil, gas or oil and gas from:

16       1. For wells spudded or reentered on or after July 1, 1997, and  
17 prior to July 1, 2015, a well that discovers crude oil in paying  
18 quantities that is more than one (1) mile from the nearest oil well  
19 producing from the same producing interval of the same formation;

20       2. For wells spudded or reentered on or after July 1, 1997, and  
21 prior to July 1, 2015, a well that discovers crude oil in paying  
22 quantities beneath current production in a deeper producing interval  
23 that is more than one (1) mile from the nearest oil well producing  
24 from the same deeper producing interval;

1        3. For wells spudded or reentered on or after July 1, 1997, and  
2 prior to July 1, 2015, a well that discovers natural gas in paying  
3 quantities that is more than two (2) miles from the nearest gas well  
4 producing from the same producing interval; or

5        4. For wells spudded or reentered on and after July 1, 1997,  
6 and prior to July 1, 2015, a well that discovers natural gas in  
7 paying quantities beneath current production in a deeper producing  
8 interval that is more than two (2) miles from the nearest gas well  
9 producing from the same deeper producing interval.

10       J. Except as otherwise provided by this section, the production  
11 of oil, gas or oil and gas from any well, drilling of which is  
12 commenced after July 1, 2000, and prior to July 1, 2015, located  
13 within the boundaries of a three-dimensional seismic shoot and  
14 drilled based on three-dimensional seismic technology, shall be  
15 exempt from the gross production tax levied pursuant to subsection B  
16 of this section from the date of first sales as follows:

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

19       2. If the three-dimensional seismic shoot is shot on or after  
20 July 1, 2000, for a period of twenty-eight (28) months; provided  
21 however, that the exemption provided by this subsection shall not  
22 apply to production occurring on or after July 1, 2017. For all  
23 such production, a refund against gross production taxes shall be  
24 issued as provided in subsection L of this section.

1 K. 1. The exemptions provided for in subsections F, G, I and J  
2 of this section, the exemption provided for in subparagraph a of  
3 paragraph 2 of subsection H of this section, and the exemptions  
4 provided for in subparagraphs b and c of paragraph 2 of subsection H  
5 of this section for production from wells spudded before July 1,  
6 2005, shall not apply:

7 a. to the severance or production of oil, upon  
8 determination by the Tax Commission that the average  
9 annual index price of Oklahoma oil exceeds Thirty  
10 Dollars (\$30.00) per barrel calculated on an annual  
11 calendar year basis, as adjusted for inflation using  
12 the Consumer Price Index-All Urban Consumers (CPI-U)  
13 as published by the Bureau of Labor Statistics of the  
14 U.S. Department of Labor or its successor agency.  
15 Such adjustment shall be based on the most current  
16 data available for the preceding twelve-month period  
17 and shall be applied for the fiscal year which begins  
18 on the July 1 date immediately following the release  
19 of the CPI-U data by the Bureau of Statistics.

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

ratio of the actual weighted average wellhead price to the West Texas Intermediate close price published on the last business day of each month.

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

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

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

c. to the severance or production of gas, upon determination by the Tax Commission that the average annual index price of Oklahoma gas exceeds Five Dollars (\$5.00) per thousand cubic feet (mcf) calculated on an annual calendar year basis as adjusted for inflation using the Consumer Price Index-All Urban Consumers (CPI-U) as published by the Bureau of Labor Statistics of the U.S. Department of Labor or its successor agency. Such adjustment shall be based

1 on the most current data available for the preceding  
2 twelve-month period and shall be applied for the  
3 fiscal year which begins on the July 1 date  
4 immediately following the release of the CPI-U data by  
5 the Bureau of Statistics.

6 (1) The "average annual index price" will be  
7 calculated by multiplying the Henry Hub 3-Day  
8 Average Close price by the "index price ratio".  
9 The index price ratio is defined as the immediate  
10 preceding three-year historical average ratio of  
11 the actual weighted average wellhead price to the  
12 Henry Hub 3-Day Average Close price published on  
13 the last business day of each month.

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

17 (3) If the Henry Hub 3-Day Average Close price is  
18 unavailable for any reason, an industry benchmark  
19 price may be substituted and used for the  
20 calculation of the index price as determined by  
21 the Tax Commission.

22 2. Notwithstanding the exemptions granted pursuant to  
23 subsections F, G, I, J, paragraph 1 of subsection E, and  
24 subparagraph a of paragraph 2 of subsection H of this section, there

1 shall continue to be levied upon the production of petroleum or  
2 other crude or mineral oil or natural gas or casinghead gas, as  
3 provided in subsection B of this section, from any wells provided  
4 for in subsections F, G, I, J, paragraph 1 of subsection E, and  
5 subparagraph a of paragraph 2 of subsection H of this section, a tax  
6 equal to one percent (1%) of the gross value of the production of  
7 petroleum or other crude or mineral oil or natural gas or casinghead  
8 gas. The tax hereby levied shall be apportioned as follows:

9           a.    fifty percent (50%) of the sum collected shall be  
10               apportioned to the County Highway Fund as provided in  
11               subparagraph b of paragraph 1 of subsection B of  
12               Section 1004 of this title, and

13           b.    fifty percent (50%) of the sum collected shall be  
14               apportioned to the appropriate school district as  
15               provided in subparagraph c of paragraph 1 of  
16               subsection B of Section 1004 of this title.

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

20           L.    1.   Prior to July 1, 2015, and except as provided in  
21           subsection M of this section, for all oil and gas production exempt  
22           from gross production taxes pursuant to subsections E, F, G, H, I  
23           and J of this section during a given fiscal year, a refund of gross  
24           production taxes shall be issued to the well operator or a designee

1 in the amount of such gross production taxes paid during such  
2 period, subject to the following provisions:

- 3       a. a refund shall not be claimed until after the end of  
4       such fiscal year. As used in this subsection, a  
5       fiscal year shall be deemed to begin on July 1 of one  
6       calendar year and shall end on June 30 of the  
7       subsequent calendar year,
- 8       b. unless otherwise specified, no claims for refunds  
9       pursuant to the provisions of this subsection shall be  
10      filed more than eighteen (18) months after the first  
11      day of the fiscal year in which the refund is first  
12      available,
- 13      c. no claims for refunds pursuant to the provisions of  
14      this subsection shall be filed by or on behalf of  
15      persons other than the operator or a working interest  
16      owner of record at the time of production,
- 17      d. no refunds shall be claimed or paid pursuant to the  
18      provisions of this subsection for oil or gas  
19      production upon which a tax is paid at a rate of one  
20      percent (1%) as specified in subsection B of this  
21      section, and
- 22      e. no refund shall be paid unless the person making the  
23      claim for refund demonstrates by affidavit or other  
24      means prescribed by the Tax Commission that an amount

1 equal to or greater than the amount of the refund has  
2 been invested in the exploration for or production of  
3 crude oil or natural gas in this state by such person  
4 not more than three (3) years prior to the date of the  
5 claim. No amount of investment used to qualify for a  
6 refund pursuant to the provisions of this subsection  
7 may be used to qualify for another refund pursuant to  
8 the provisions of this subsection.

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

14 2. On or after July 1, 2015, for all oil and gas production  
15 exempt from gross production taxes pursuant to subsections F and G  
16 of this section during a given fiscal year, a refund of gross  
17 production taxes shall be issued to the well operator or a designee  
18 in the amount of such gross production taxes paid during such  
19 period, subject to the following provisions:

20 a. a refund shall not be claimed until after the end of  
21 such fiscal year. As used in this subsection, a  
22 fiscal year shall be deemed to begin on July 1 of one  
23 calendar year and shall end on June 30 of the  
24 subsequent calendar year,

- b. unless otherwise specified, no claims for refunds pursuant to the provisions of this subsection shall be filed more than eighteen (18) months after the first day of the fiscal year in which the refund is first available, or September 30, 2017, whichever is sooner,
- c. no claims for refunds pursuant to the provisions of this subsection shall be filed by or on behalf of persons other than the operator or a working interest owner of record at the time of production,
- d. no refunds shall be claimed or paid pursuant to the provisions of this subsection for oil or gas production upon which a tax is paid at a rate of two percent (2%), and
- e. no refund shall be paid unless the person making the claim for refund demonstrates by affidavit or other means prescribed by the Tax Commission that an amount equal to or greater than the amount of the refund has been invested in the exploration for or production of crude oil or natural gas in this state by such person not more than three (3) years prior to the date of the claim. No amount of investment used to qualify for a refund pursuant to the provisions of this paragraph may be used to qualify for another refund pursuant to the provisions of this paragraph.

1        If there are insufficient funds collected from the production of  
2 oil or gas to satisfy the refunds claimed for oil or gas production  
3 pursuant to subsection F or G of this section, the Tax Commission  
4 shall pay the balance of the refund claims out of the gross  
5 production taxes collected from either the production of oil or gas,  
6 as necessary.

7        3. Notwithstanding any other provisions of law, after the  
8 effective date of this act, no refund of gross production taxes  
9 shall be claimed for oil and gas production exempt from gross  
10 production taxes pursuant to subsections E, F, G, H, I and J of this  
11 section for production occurring prior to July 1, 2003.

12        4. Notwithstanding any other provision of this section, no  
13 claims for refunds pursuant to the provisions of subsections F, G, I  
14 and J and subparagraph a of paragraph 2 of subsection H of this  
15 section shall be filed or accepted on or after October 1, 2017.

16        M. Claims for refunds pursuant to the provisions of subsections  
17 F, G, I and J and subparagraph a of paragraph 2 of subsection H of  
18 this section for production periods ending on or before June 30,  
19 2017, shall be paid pursuant to the provisions of this subsection.  
20 The claims for refunds referenced herein shall be paid in equal  
21 payments over a period of thirty-six (36) months. The first payment  
22 shall be made after July 1, 2018, but prior to August 1, 2018. The  
23 Tax Commission shall provide, not later than June 30, 2018, to the  
24

1 operator or designated interest owner, a schedule of rebates to be  
2 paid out over the thirty-six-month period.

3 N. 1. The Corporation Commission and the Tax Commission shall  
4 promulgate joint rules for the qualification for the exemptions  
5 provided for in this section and the rules shall contain provisions  
6 for verification of any wells from which production may be qualified  
7 for the exemptions. The Tax Commission shall adopt rules and  
8 regulations which establish guidelines for production of oil or gas  
9 after July 1, 2011, which is exempt from tax pursuant to the  
10 provisions of paragraph 1 of subsection E and subparagraphs b and c  
11 of paragraph 2 of subsection H of this section to remit tax at the  
12 reduced rate provided in paragraph 2 of subsection E and  
13 subparagraphs d and e of paragraph 2 of subsection H of this section  
14 until the end of the qualifying exemption period.

15 2. Any person requesting any exemption shall file an  
16 application for qualification for the exemption with the Corporation  
17 Commission which, upon finding that the well meets the requirements  
18 of this section, shall approve the application for qualification.

19 3. Any person seeking an exemption shall:

20 a. file an application for the exemption with the Tax  
21 Commission which, upon determination of qualification  
22 by the Corporation Commission, shall approve the  
23 application for an exemption, and  
24

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

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

5. Upon the expiration of an exemption granted pursuant to this section, the Tax Commission shall collect the gross production tax levied pursuant to this section. If a person who qualifies for the exemption elects to remit his or her own gross production tax during the exemption period, the first purchaser shall not be liable to withhold or remit the tax until the first day of the month following the receipt of written notification from the person who is qualified for such exemption stating that such exemption has expired and directing the first purchaser to resume tax remittance on his or her behalf.

O. 1. Prior to July 1, 2015, persons shall only be entitled to either the exemption granted pursuant to subsection D of this section or the exemption granted pursuant to subsection E, F, G, H, I or J of this section for each oil, gas or oil and gas well drilled or recompleted in this state. However, any person who qualifies for the exemption granted pursuant to subsection E, F, G, H, I or J of this section shall not be prohibited from qualification for the exemption granted pursuant to subsection D of this section, if the

1 exemption granted pursuant to subsection E, F, G, H, I or J of this  
2 section has expired.

3 2. On or after July 1, 2015, all persons shall only be entitled  
4 to either the exemption granted pursuant to subsection D of this  
5 section or the exemption granted pursuant to subsection F or G of  
6 this section for each oil, gas, or oil and gas well drilled or  
7 recompleted in this state. However, any person who qualifies for  
8 the exemption granted pursuant to subsections F and G of this  
9 section shall not be prohibited from qualification for the exemption  
10 granted pursuant to subsection D of this section if the exemption  
11 granted pursuant to subsection F or G of this section has expired.  
12 Further, the exemption granted pursuant to subsection D of this  
13 section shall not apply to any production upon which a tax is paid  
14 at a rate of two percent (2%).

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

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

18       R. The Tax Commission shall have the power and authority to  
19 ascertain and determine whether or not any report herein required to  
20 be filed with it is a true and correct report of the gross products,  
21 and of the value thereof, of such person engaged in the mining or  
22 production or purchase of asphalt and ores bearing minerals  
23 aforesaid and of oil and gas. If any person has made an untrue or  
24 incorrect report of the gross production or value or volume thereof,

1 or shall have failed or refused to make such report, the Tax  
2 Commission shall, under the rules prescribed by it, ascertain the  
3 correct amount of either, and compute the tax.

4 S. The payment of the taxes herein levied shall be in full, and  
5 in lieu of all taxes by the state, counties, cities, towns, school  
6 districts and other municipalities upon any property rights attached  
7 to or inherent in the right to the minerals, upon producing leases  
8 for the mining of asphalt and ores bearing lead, zinc, jack or  
9 copper, or for oil, or for gas, upon the mineral rights and  
10 privileges for the minerals aforesaid belonging or appertaining to  
11 land, upon the machinery, appliances and equipment used in and  
12 around any well producing oil, or gas, or any mine producing asphalt  
13 or any of the mineral ores aforesaid and actually used in the  
14 operation of such well or mine. The payment of gross production tax  
15 shall also be in lieu of all taxes upon the oil, gas, asphalt or  
16 ores bearing minerals hereinbefore mentioned during the tax year in  
17 which the same is produced, and upon any investment in any of the  
18 leases, rights, privileges, minerals or other property described  
19 herein. Any interest in the land, other than that herein  
20 enumerated, and oil in storage, asphalt and ores bearing minerals  
21 hereinbefore named, mined, produced and on hand at the date as of  
22 which property is assessed for general and ad valorem taxation for  
23 any subsequent tax year, shall be assessed and taxed as other  
24

1 property within the taxing district in which such property is  
2 situated at the time.

3 T. No equipment, material or property shall be exempt from the  
4 payment of ad valorem tax by reason of the payment of the gross  
5 production tax except such equipment, machinery, tools, material or  
6 property as is actually necessary and being used and in use in the  
7 production of asphalt or of ores bearing lead, zinc, jack or copper  
8 or of oil or gas. Provided, the exemption shall include the  
9 wellbore and non-recoverable down-hole material, including casing,  
10 actually used in the disposal of waste materials produced with such  
11 oil or gas. It is expressly declared that no ice plants, hospitals,  
12 office buildings, garages, residences, gasoline extraction or  
13 absorption plants, water systems, fuel systems, rooming houses and  
14 other buildings, nor any equipment or material used in connection  
15 therewith, shall be exempt from ad valorem tax.

16 U. The exemption from ad valorem tax set forth in subsections S  
17 and T of this section shall continue to apply to all property from  
18 which production of oil, gas or oil and gas is exempt from gross  
19 production tax pursuant to subsection D, E, F, G, H, I or J of this  
20 section.

21 SECTION 13. REPEALER 37 O.S. 2011, Section 576, as last  
22 amended by Section 11 of this act, is hereby repealed.

23 SECTION 14. REPEALER 68 O.S. 2011, Section 402-2, is  
24 hereby repealed.

1       SECTION 15.   Section 10 of this act shall become effective July  
2 1, 2018.

3       SECTION 16.   Section 13 of this act shall become effective  
4 October 1, 2018.

5

6       56-1EX-50214   JM       10/26/17

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