

1 (2ND EXTRAORDINARY SESSION)

ENGROSSED HOUSE

2 BILL NO. 1010

By: Wallace and Casey of the
House

3
4 and

5 David and Fields of the
Senate

6
7
8 An Act relating to revenue and taxation; stating
9 purpose pursuant to the authority provided in Section
10 57 of Article V of the Oklahoma Constitution;
11 imposing additional tax levy upon cigarettes;
12 specifying amount of additional levy; providing for
13 apportionment of revenues; exempting levy from
14 inclusion in determination of certain amounts;
15 requiring certain collections and administration of
16 levy; amending 68 O.S. 2011, Sections 402, 402-1 and
17 402-3, which relate to tax levies on tobacco
18 products; providing that little cigars be taxed in
19 the same rate and manner as cigarettes; clarifying
20 language; imposing tax on gasoline and diesel fuel;
21 establishing amount of tax on a per-gallon basis;
22 requiring deposit of certain revenue, penalties and
23 interest in certain fund; amending 68 O.S. 2011,
24 Sections 1001, as last amended by Section 1, Chapter
5, 1st Extraordinary Session, O.S.L. 2017 and 1004,
as last amended by Section 2, Chapter 355, O.S.L.
2017 (68 O.S. Supp. 2017, Section 1004), which relate
to gross production tax; modifying rate imposed upon
oil, gas or oil and gas; modifying exemptions and
procedures related thereto; modifying apportionment
of certain gross production tax revenues
corresponding to gross production tax rate
modification; enacting the Oklahoma Occupancy Tax
Act; stating purpose of tax; defining terms;
providing for rate of tax; imposing duty for
remittance of tax and prescribing procedures related
thereto; requiring Oklahoma Tax Commission to
promulgate rules and to provide forms; providing for
applicability of Oklahoma Sales Tax Code provisions
and provisions of the Uniform Tax Procedure Code for

1 administration of tax; requiring separate statement
2 of tax amount; requiring payment by customers in same
3 method as sales tax; providing for exemptions;
4 providing for apportionment of revenues; repealing 68
O.S. 2011, Section 402-2, which relates to additional
tax on tobacco products; providing for codification;
and providing for noncodification.

5
6
7 BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

8 SECTION 1. NEW LAW A new section of law not to be
9 codified in the Oklahoma Statutes reads as follows:

10 The provisions of this measure are enacted pursuant to the
11 authority provided in Section 57 of Article V of the Oklahoma
12 Constitution for a general revenue bill.

13 SECTION 2. NEW LAW A new section of law to be codified
14 in the Oklahoma Statutes as Section 302-7 of Title 68, unless there
15 is created a duplication in numbering, reads as follows:

16 A. For the purpose of providing revenue for the support of the
17 functions of state government, in addition to the tax levied in
18 Sections 302, 302-1, 302-2, 302-3, 302-4 and 302-5 of Title 68 of
19 the Oklahoma Statutes, there is hereby levied upon the sale, use,
20 gift, possession or consumption of cigarettes, as defined in
21 Sections 301 through 325 of Title 68 of the Oklahoma Statutes,
22 within this state, a tax at the rate of fifty (50) mills per
23 cigarette.
24

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

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

11 3. a. Prior to July 1, 2019, the resulting revenues as
12 described by paragraphs 1 and 2 of this subsection
13 shall be apportioned by the Oklahoma Tax Commission
14 and transmitted to the State Treasurer who shall
15 deposit such revenue in the General Revenue Fund.

16 b. Beginning July 1, 2019, 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 to the credit of the State Health
21 Care Enhancement Fund, created in Enrolled House Bill
22 No. 1016 of the 2nd Extraordinary Session of the 56th
23 Oklahoma Legislature.
24

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

4 1. The State of Oklahoma Building Bonds of 1961 Sinking Fund
5 pursuant to the provisions of Sections 57.31 through 57.43 of Title
6 62 of the Oklahoma Statutes;

7 2. The State of Oklahoma Institutional Building Bonds of 1965
8 Sinking Fund pursuant to the provisions of Sections 57.61 through
9 57.73 of Title 62 of the Oklahoma Statutes;

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

13 4. The State of Oklahoma Building Bonds of 1968 Sinking Fund
14 pursuant to the provisions of Sections 57.121 through 57.193 of
15 Title 62 of the Oklahoma Statutes; or

16 5. The Oklahoma Building Bonds of 1992 Sinking Fund pursuant to
17 the provisions of Sections 57.300 through 57.313 of Title 62 of the
18 Oklahoma Statutes.

19 D. The cigarette taxes levied in this section shall be
20 collected and administered as provided by law for other cigarette
21 taxes now levied, collected and administered pursuant to the
22 provisions of Sections 301 through 325 of Title 68 of the Oklahoma
23 Statutes.

1 SECTION 3. AMENDATORY 68 O.S. 2011, Section 402, is
2 amended to read as follows:

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

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

15 2. Cigars. Upon cigars of all descriptions made of tobacco, or
16 any substitute therefor, weighing more than three (3) pounds per
17 thousand and having a manufacturer's recommended retail selling
18 price, under the Federal Code, of not exceeding four cents (\$0.04)
19 per cigar, one cent (\$0.01) for each cigar;

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

1 4. Smoking Tobacco. Upon all smoking tobacco including
2 granulated, plug cut, crimp cut, ready rubbed and other kinds and
3 forms of tobacco prepared in such manner as to be suitable for
4 smoking in a pipe or cigarette, the tax shall be twenty-five percent
5 (25%) of the factory list price exclusive of any trade discount,
6 special discount or deals; and

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

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

13 Notwithstanding any other provision of law, the tax levied
14 pursuant to the provisions of Section 401 et seq. of this title
15 shall be part of the gross proceeds or gross receipts from the sale
16 of cigars or tobacco products, or both, as those terms are defined
17 in paragraph 7 12 of Section 1352 of this title.

18 SECTION 4. AMENDATORY 68 O.S. 2011, Section 402-1, is
19 amended to read as follows:

20 Section 402-1. In addition to the tax levied by Section 402 of
21 this title, there is hereby levied upon the sale, use, exchange or
22 possession of articles containing tobacco as defined in said Section
23 402, a tax in the following amounts:

1 ~~(a) Upon little cigars of all descriptions made of tobacco, or~~
2 ~~any substitute therefor, and weighing not more than three (3) pounds~~
3 ~~per thousand, two and one half (2 1/2) mills for each cigar.~~
4 ~~Provided, that the tax levied on the products coming under this~~
5 ~~paragraph shall not apply if the tax on such products is reported~~
6 ~~and paid as cigarette tax under Sections 301 through 325 of this~~
7 ~~title.~~

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

15 ~~(c)~~ (b) Upon all smoking tobacco including granulated, plug cut,
16 crimp cut, ready rubbed and other kinds and forms of tobacco
17 prepared in such manner as to be suitable for smoking in a pipe or
18 cigarette, the tax shall be fifteen percent (15%) of the factory
19 list price exclusive of any trade discount, special discount or
20 deals-; and

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

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

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

10 SECTION 5. AMENDATORY 68 O.S. 2011, Section 402-3, is
11 amended to read as follows:

12 Section 402-3. A. In addition to the tax levied in Sections
13 402, and 402-1 ~~and 402-2~~ of this title, effective January 1, 2005,
14 there shall be levied, assessed, collected, and paid in respect to
15 the articles containing tobacco enumerated in Section 401 et seq. of
16 this title, a tax in the following amounts:

17 1. ~~Little Cigars. Upon cigars of all descriptions made of~~
18 ~~tobacco, or any substitute therefor, and weighing not more than~~
19 ~~three (3) pounds per thousand, twenty seven (27) mills for each~~
20 ~~cigar. Provided, that the tax levied on the products coming under~~
21 ~~this paragraph shall not apply if the tax on such products is~~
22 ~~reported and paid as cigarette tax under Sections 301 through 325 of~~
23 ~~this title.~~

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

6 ~~3.~~ 2. Smoking Tobacco. Upon all smoking tobacco including
7 granulated, plug cut, crimp cut, ready rubbed and other kinds and
8 forms of tobacco prepared in such manner as to be suitable for
9 smoking in a pipe or cigarette, the tax shall be forty percent (40%)
10 of the factory list price exclusive of any trade discount, special
11 discount or deals; and

12 ~~4.~~ 3. Chewing Tobacco. Upon chewing tobacco, smokeless
13 tobacco, and snuff, the tax shall be thirty percent (30%) of the
14 factory list price exclusive of any trade discount, special discount
15 or deals.

16 B. Except as provided in subsection C of this section, the
17 revenue resulting from the additional tax levied in subsection A of
18 this section shall be apportioned by the Oklahoma Tax Commission and
19 transmitted to the State Treasurer as follows:

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

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

4 3. Before July 1, 2008, seven and fifty-hundredths percent
5 (7.50%) shall be placed to the credit of the Trauma Care Assistance
6 Revolving Fund created in Section ~~1-2522~~ 1-2530.9 of Title 63 of the
7 Oklahoma Statutes. On and after July 1, 2008, seven and fifty-
8 hundredths percent (7.50%) shall be allocated as follows:

9 a. every month, an amount equal to the actual amount
10 placed to the credit of the Trauma Care Assistance
11 Revolving Fund pursuant to this paragraph for the same
12 month of the 2008 fiscal year shall be credited to the
13 Trauma Care Assistance Revolving Fund,

14 b. every month, any amount over and above the amount
15 placed to the credit of the Trauma Care Assistance
16 Revolving Fund pursuant to subparagraph a of this
17 paragraph shall be credited to the Oklahoma Emergency
18 Response Systems Stabilization and Improvement
19 Revolving Fund as created in Section ~~§~~ 1-2512.1 of
20 ~~this act~~ Title 63 of the Oklahoma Statutes until the
21 combined amount credited to the Oklahoma Emergency
22 Response Systems Stabilization and Improvement
23 Revolving Fund pursuant to this section and Section
24 302-5 of this title is equal to Two Million Five

1 Hundred Thousand Dollars (\$2,500,000.00) each year,
2 and

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

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

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

18 6. Two and sixty-five-hundredths percent (2.65%) shall be
19 placed to the credit of the Department of Mental Health and
20 Substance Abuse Services Revolving Fund created in Section 2-303 of
21 Title 43A of the Oklahoma Statutes;

22 7. Forty-four-hundredths of one percent (0.44%) shall be placed
23 to the credit of the Belle Maxine Hilliard Breast and Cervical
24

1 Cancer Treatment Revolving Fund created in Section 1-559 of Title 63
2 of the Oklahoma Statutes;

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

6 9. Two and seven-hundredths percent (2.07%) shall be placed to
7 the credit of the Education Reform Revolving Fund created in Section
8 ~~41.29b~~ 34.89 of Title 62 of the Oklahoma Statutes;

9 10. Sixty-six-hundredths percent (0.66%) shall be placed to the
10 credit of the Tobacco Prevention and Cessation Revolving Fund
11 created in Section 1-105d of Title 63 of the Oklahoma Statutes;

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

14 12. For fiscal years beginning July 1, 2004, and ending June
15 30, 2006, fourteen and twenty-three-hundredths percent (14.23%)
16 shall be apportioned to municipalities and counties that levy a
17 sales tax, in the proportions which total municipal and county sales
18 tax revenue was apportioned by the Tax Commission in the preceding
19 month.

20 For fiscal years beginning July 1, 2006, and thereafter, the
21 apportionment percentage specified in paragraph 12 of this
22 subsection will be adjusted by dividing the total municipal and
23 county sales tax revenue collected in the calendar year immediately
24 preceding the commencement of the fiscal year by the sum of the

1 state sales tax revenue and total municipal and county sales tax
2 revenue collected in the same year. This ratio shall be divided by
3 the ratio of the total municipal and county sales tax revenue
4 collected in the calendar year beginning January 1, 2004, and ending
5 December 31, 2004, divided by the sum of the state sales tax revenue
6 and total municipal and county sales tax revenue collected in the
7 same year. The resulting quotient shall be multiplied by fourteen
8 and twenty-three-hundredths percent (14.23%) to determine the
9 apportionment percentage for the fiscal year.

10 For fiscal years beginning July 1, 2006, and thereafter, any
11 adjustment to the percentage of revenues apportioned to
12 municipalities and counties shall be reflected in the percent of
13 revenues apportioned to the General Revenue Fund.

14 C. The net amount of any revenue resulting from a payment in
15 lieu of excise taxes on little cigars, cigars, smoking tobacco and
16 chewing tobacco levied by this section, pursuant to a compact with a
17 federally recognized Indian tribe or nation after deductions for
18 deposits into trust accounts pursuant to such compacts, shall be
19 apportioned by the Tax Commission and transmitted to the State
20 Treasurer as follows:

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

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

5 3. Before July 1, 2008, eleven and thirty-nine-hundredths
6 percent (11.39%) shall be placed to the credit of the Trauma Care
7 Assistance Revolving Fund created in Section ~~1-2522~~ 1-2530.9 of
8 Title 63 of the Oklahoma Statutes. On and after July 1, 2008,
9 eleven and thirty-nine-hundredths percent (11.39%) shall be
10 allocated as follows:

- 11 a. every month, an amount equal to the actual amount
12 placed to the credit of the Trauma Care Assistance
13 Revolving Fund pursuant to this paragraph for the same
14 month of the 2008 fiscal year shall be credited to the
15 Trauma Care Assistance Revolving Fund,
- 16 b. every month, any amount over and above the amount
17 placed to the credit of the Trauma Care Assistance
18 Revolving Fund pursuant to subparagraph a of this
19 paragraph shall be credited to the Oklahoma Emergency
20 Response Systems Stabilization and Improvement
21 Revolving Fund as created in Section ~~8~~ 1-2512.1 of
22 ~~this act~~ Title 63 of the Oklahoma Statutes until the
23 combined amount credited to the Oklahoma Emergency
24 Response Systems Stabilization and Improvement

1 Revolving Fund pursuant to this section and Section
2 302-5 of this title is equal to Two Million Five
3 Hundred Thousand Dollars (\$2,500,000.00) each year,
4 and

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

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

12 5. Forty and six-hundredths percent (40.06%) shall be placed to
13 the credit of the Oklahoma Health Care Authority Medicaid Program
14 Fund created in Section 5020 of Title 63 of the Oklahoma Statutes
15 for the purposes of maintaining programs and services funded under
16 the federal "Jobs and Growth Tax Relief Reconciliation Act of 2003",
17 reimbursing city/county-owned hospitals, increasing emergency room
18 physician rates, and providing TEFRA 134, also known as "Katie
19 Beckett" services;

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

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

5 8. One percent (1%) shall be placed to the credit of the
6 Tobacco Prevention and Cessation Revolving Fund created in Section
7 1-105d of Title 63 of the Oklahoma Statutes.

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

11 SECTION 6. NEW LAW A new section of law to be codified
12 in the Oklahoma Statutes as Section 500.4B of Title 68, unless there
13 is created a duplication in numbering, reads as follows:

14 A. For the purpose of providing revenue for the support of the
15 functions of state government, in addition to the tax imposed by
16 Section 500.4 of Title 68 of the Oklahoma Statutes, there is hereby
17 imposed a tax of:

18 1. Six cents (\$0.06) per gallon on all diesel fuel used or
19 consumed in this state; and

20 2. Three cents (\$0.03) per gallon on all gasoline used or
21 consumed in this state.

22 B. All remaining revenue from the tax imposed by subsection A
23 of this section and penalties and interest thereon collected by the
24 Oklahoma Tax Commission, after the requirements of Section 500.63 of

1 Title 68 of the Oklahoma Statutes have been fulfilled, shall be
2 deposited as follows:

3 1. Prior to July 1, 2019, the remaining revenue shall be
4 apportioned by the Oklahoma Tax Commission and transmitted to the
5 State Treasurer who shall deposit such revenue in the General
6 Revenue Fund; and

7 2. Beginning July 1, 2019, the remaining revenue shall be
8 apportioned by the Oklahoma Tax Commission and transmitted to the
9 State Treasurer who shall deposit such revenue in the Rebuilding
10 Oklahoma Access and Driver Safety Fund created in Section 1521 of
11 Title 69 of the Oklahoma Statutes.

12 SECTION 7. AMENDATORY 68 O.S. 2011, Section 1001, as
13 last amended by Section 1, Chapter 5, 1st Extraordinary Session,
14 O.S.L. 2017, is amended to read as follows:

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

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

1 ~~2. Effective July 1, 2013, through June 30, 2015, except as~~
2 ~~otherwise exempted pursuant to subsections D, E, F, G, H, I and J of~~
3 ~~this section, there shall be levied a tax equal to seven percent~~
4 ~~(7%) of the gross value of the production of gas.~~

5 ~~3. Effective July 1, 2015, except as otherwise provided in this~~
6 ~~section~~ On or after the effective date of this act and except as
7 provided by paragraph 4 of this subsection, there shall be levied a
8 tax on the gross value of the production of oil and gas as follows:

9 ~~a. upon~~

10 1. Upon the production of oil a tax equal to seven percent (7%)
11 of the gross value of the production of oil based on a per barrel
12 measurement of forty-two (42) U.S. gallons of two hundred thirty-one
13 (231) cubic inches per gallon, computed at a temperature of sixty
14 (60) degrees Fahrenheit,

15 ~~b. upon;~~

16 2. Upon the production of gas a tax equal to seven percent (7%)
17 of the gross value of the production of gas, ~~and;~~

18 ~~c. notwithstanding~~

19 3. Notwithstanding the levies in ~~subparagraphs a~~ paragraphs 1
20 ~~and b 2 of this paragraph subsection,~~ the production of oil, gas, or
21 oil and gas from wells spudded prior to the effective date of this
22 act, and on or after July 1, 2015 the effective date of this act,
23 shall be taxed at a rate of ~~two percent (2%)~~ five percent (5%)
24 commencing with the month of first production for a period of

1 thirty-six (36) months. Thereafter, the production shall be taxed
2 as provided in ~~subparagraphs a~~ paragraphs 1 and 2 of this
3 ~~paragraph subsection; and~~

4 4. If the provisions of Article XIII-C of the Oklahoma
5 Constitution are approved by the people pursuant to adoption of
6 State Question No. 795, the rate of gross production tax imposed by
7 paragraph 3 of this subsection shall be reduced to two percent (2%)
8 for the first thirty-six (36) months of production and thereafter
9 the rate of taxation shall be seven percent (7%).

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

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

1 ~~2. Except as otherwise provided in this section, for tertiary~~
2 ~~recovery projects approved and having a project beginning date on or~~
3 ~~after July 1, 1993, and before July 1, 2017, any incremental~~
4 ~~production attributable to the working interest owners which results~~
5 ~~from such tertiary recovery projects shall be exempt from the gross~~
6 ~~production tax levied pursuant to this section from the project~~
7 ~~beginning date until project payback is achieved, but not to exceed~~
8 ~~a period of ten (10) years; provided however, that the exemption~~
9 ~~provided by this paragraph shall not apply to production occurring~~
10 ~~on or after July 1, 2017. Project payback pursuant to this~~
11 ~~paragraph shall be determined by appropriate payback indicators~~
12 ~~which will provide for the recovery of capital expenses and~~
13 ~~operating expenses, excluding administrative expenses, in~~
14 ~~determining project payback. The capital expenses of pipelines~~
15 ~~constructed to transport carbon dioxide to a tertiary recovery~~
16 ~~project shall not be included in determining project payback~~
17 ~~pursuant to this paragraph.~~

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

21 ~~4. For purposes of this subsection:~~

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

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

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

18 5. ~~The Corporation Commission shall promulgate rules for the~~
19 ~~qualification for this exemption which shall include, but not be~~
20 ~~limited to, procedures for determining incremental production as~~
21 ~~defined in subparagraph a of paragraph 4 of this subsection, and the~~
22 ~~establishment of appropriate payback indicators as approved by the~~
23 ~~Tax Commission for the determination of project payback for each of~~
24 ~~the exemptions authorized by this subsection.~~

1 ~~6. For new secondary recovery projects and tertiary recovery~~
2 ~~projects approved by the Corporation Commission on or after July 1,~~
3 ~~1993, and before July 1, 2017, such approval shall constitute~~
4 ~~qualification for an exemption.~~

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

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

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

15 ~~E. 1. Except as otherwise provided in this section, the~~
16 ~~production of oil, gas or oil and gas from a horizontally drilled~~
17 ~~well producing prior to July 1, 2011, which production commenced~~
18 ~~after July 1, 2002, shall be exempt from the gross production tax~~
19 ~~levied pursuant to subsection B of this section from the project~~
20 ~~beginning date until project payback is achieved but not to exceed a~~
21 ~~period of forty-eight (48) months commencing with the month of~~
22 ~~initial production from the horizontally drilled well. For purposes~~
23 ~~of subsection D of this section and this subsection, project payback~~
24 ~~shall be determined as of the date of the completion of the well and~~

1 ~~shall not include any expenses beyond the completion date of the~~
2 ~~well, and subject to the approval of the Tax Commission.~~

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

6 ~~3. For production commenced on or after July 1, 2011, and prior~~
7 ~~to July 1, 2015, the tax levied pursuant to the provisions of this~~
8 ~~section on the production of oil, gas or oil and gas from a~~
9 ~~horizontally drilled well shall be reduced to a rate of one percent~~
10 ~~(1%) for a period of forty-eight (48) months from the month of~~
11 ~~initial production; provided however, such production occurring on~~
12 ~~or after July 1, 2017, for the remainder of such forty-eight-month~~
13 ~~period shall be subject to a reduced rate of four percent (4%);~~
14 ~~further provided, any reduced rate provided by this paragraph shall~~
15 ~~not apply to production occurring during or after the first full~~
16 ~~month following the effective date of this act. The taxes collected~~
17 ~~from the production of oil shall be apportioned pursuant to the~~
18 ~~provisions of paragraph 7 of subsection B of Section 1004 of this~~
19 ~~title. The taxes collected from the production of gas shall be~~
20 ~~apportioned pursuant to the provisions of paragraph 3 of subsection~~
21 ~~B of Section 1004 of this title.~~

22 ~~4. The production of oil, gas or oil and gas on or after July~~
23 ~~1, 2011, and prior to July 1, 2015, from these qualifying wells~~
24 ~~shall be taxed at a rate of one percent (1%) until the expiration of~~

1 ~~forty-eight (48) months commencing with the month of initial~~
2 ~~production.~~

3 ~~5. As used in this subsection, "horizontally drilled well"~~
4 ~~shall mean an oil, gas or oil and gas well drilled or recompleted in~~
5 ~~a manner which encounters and subsequently produces from a~~
6 ~~geological formation at an angle in excess of seventy (70) degrees~~
7 ~~from vertical and which laterally penetrates a minimum of one~~
8 ~~hundred fifty (150) feet into the pay zone of the formation.~~

9 ~~F. 1. Except as otherwise provided by this section, the~~
10 ~~severance or production of oil, gas or oil and gas from an inactive~~
11 ~~well shall be exempt from the gross production tax levied pursuant~~
12 ~~to subsection B of this section for a period of twenty-eight (28)~~
13 ~~months from the date upon which production is reestablished;~~
14 ~~provided however, that the exemption provided by this paragraph~~
15 ~~shall not apply to production occurring on or after July 1, 2017.~~
16 ~~This exemption shall take effect July 1, 1994, and shall apply to~~
17 ~~wells for which work to reestablish or enhance production began on~~
18 ~~or after July 1, 1994, and for which production is reestablished~~
19 ~~prior to July 1, 2017. For all such production, a refund against~~
20 ~~gross production taxes shall be issued as provided in subsection L~~
21 ~~of this section.~~

22 ~~2. As used in this subsection, for wells for which production~~
23 ~~is reestablished prior to July 1, 1997, "inactive well" means any~~
24 ~~well that has not produced oil, gas or oil and gas for a period of~~

1 ~~not less than two (2) years as evidenced by the appropriate forms on~~
2 ~~file with the Corporation Commission reflecting the well's status.~~
3 ~~As used in this subsection, for wells for which production is~~
4 ~~reestablished on or after July 1, 1997, and prior to July 1, 2017,~~
5 ~~"inactive well" means any well that has not produced oil, gas or oil~~
6 ~~and gas for a period of not less than one (1) year as evidenced by~~
7 ~~the appropriate forms on file with the Corporation Commission~~
8 ~~reflecting the well's status. Wells which experience mechanical~~
9 ~~failure or loss of mechanical integrity, as defined by the~~
10 ~~Corporation Commission, including but not limited to, casing leaks,~~
11 ~~collapse of casing or loss of equipment in a wellbore, or any~~
12 ~~similar event which causes cessation of production, shall also be~~
13 ~~considered inactive wells.~~

14 ~~G. 1. Except as otherwise provided by this section, any~~
15 ~~incremental production which results from a production enhancement~~
16 ~~project shall be exempt from the gross production tax levied~~
17 ~~pursuant to subsection B of this section for a period of twenty-~~
18 ~~eight (28) months from the date of first sale after project~~
19 ~~completion of the production enhancement project; provided however,~~
20 ~~that the exemption provided by this paragraph shall not apply to~~
21 ~~production occurring on or after July 1, 2017. This exemption shall~~
22 ~~take effect July 1, 1994, and shall apply to production enhancement~~
23 ~~projects having a project beginning date on or after July 1, 1994,~~
24 ~~and prior to July 1, 2017. For all such production, a refund~~

1 ~~against gross production taxes shall be issued as provided in~~
2 ~~subsection L of this section.~~

3 ~~2. As used in this subsection:~~

- 4 ~~a. for production enhancement projects having a project~~
5 ~~beginning date on or after July 1, 1997, and prior to~~
6 ~~July 1, 2017, "production enhancement project" means~~
7 ~~any workover as defined in this paragraph,~~
8 ~~recompletion as defined in this paragraph, reentry of~~
9 ~~plugged and abandoned wellbores, or addition of a well~~
10 ~~or field compression,~~
- 11 ~~b. "incremental production" means the amount of crude~~
12 ~~oil, natural gas or other hydrocarbons which are~~
13 ~~produced as a result of the production enhancement~~
14 ~~project in excess of the base production,~~
- 15 ~~c. "base production" means the average monthly amount of~~
16 ~~production for the twelve-month period immediately~~
17 ~~prior to the commencement of the project or the~~
18 ~~average monthly amount of production for the twelve-~~
19 ~~month period immediately prior to the commencement of~~
20 ~~the project less the monthly rate of production~~
21 ~~decline for the project for each month beginning one~~
22 ~~hundred eighty (180) days prior to the commencement of~~
23 ~~the project. The monthly rate of production decline~~
24 ~~shall be equal to the average extrapolated monthly~~

~~decline rate for the twelve-month period immediately prior to the commencement of the project based on the production history of the well. If the well or wells covered in the application had production for less than the full twelve-month period prior to the filing of the application for the production enhancement project, the base production shall be the average monthly production for the months during that period 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
drilled to a depth of twelve thousand five hundred
(12,500) feet or greater and wells spudded between
July 1, 2005, and July 1, 2015, and drilled to a depth
between twelve thousand five hundred (12,500) feet and
fourteen thousand nine hundred ninety-nine (14,999)
feet shall be exempt from the gross production tax
levied pursuant to subsection B of this section from
the date of first sales for a period of twenty-eight
(28) months; provided however, that the exemption
provided by this subparagraph shall not apply to
production occurring on or after July 1, 2017,~~
- ~~b. the production of oil, gas or oil and gas from wells
spudded between July 1, 2002, and July 1, 2005, and
drilled to a depth of fifteen thousand (15,000) feet
or greater and wells spudded between July 1, 2005, and~~

1 ~~July 1, 2011, and drilled to a depth between fifteen~~
2 ~~thousand (15,000) feet and seventeen thousand four~~
3 ~~hundred ninety-nine (17,499) feet shall be exempt from~~
4 ~~the gross production tax levied pursuant to subsection~~
5 ~~B of this section from the date of first sales for a~~
6 ~~period of forty-eight (48) months,~~

7 ~~c. the production of oil, gas or oil and gas from wells~~
8 ~~spudded between July 1, 2002, and July 1, 2011, and~~
9 ~~drilled to a depth of seventeen thousand five hundred~~
10 ~~(17,500) feet or greater shall be exempt from the~~
11 ~~gross production tax levied pursuant to subsection B~~
12 ~~of this section from the date of first sales for a~~
13 ~~period of sixty (60) months,~~

14 ~~d. the tax levied pursuant to the provisions of this~~
15 ~~section on the production of oil, gas or oil and gas~~
16 ~~from wells spudded between July 1, 2011, and July 1,~~
17 ~~2015, and drilled to a depth between fifteen thousand~~
18 ~~(15,000) feet and seventeen thousand four hundred~~
19 ~~ninety-nine (17,499) feet shall be reduced to a rate~~
20 ~~of four percent (4%) for a period of forty-eight (48)~~
21 ~~months from the date of first sales; provided, the~~
22 ~~reduced rate provided by this subparagraph shall not~~
23 ~~apply to production occurring during or after the~~
24 ~~first full month following the effective date of this~~

1 ~~act. The taxes collected from the production of oil~~
2 ~~shall be apportioned pursuant to the provisions of~~
3 ~~paragraph 7 of subsection B of Section 1004 of this~~
4 ~~title. The taxes collected from the production of gas~~
5 ~~shall be apportioned pursuant to the provisions of~~
6 ~~paragraph 3 of subsection B of Section 1004 of this~~
7 ~~title,~~

8 e. ~~the tax levied pursuant to the provisions of this~~
9 ~~section on the production of oil, gas or oil and gas~~
10 ~~from wells spudded between July 1, 2011, and July 1,~~
11 ~~2015, and drilled to a depth of seventeen thousand~~
12 ~~five hundred (17,500) feet or greater shall be reduced~~
13 ~~to a rate of four percent (4%) for a period of sixty~~
14 ~~(60) months from the date of first sales; provided~~
15 ~~however, the reduced rate provided by this~~
16 ~~subparagraph shall not apply to production occurring~~
17 ~~during or after the first full month following the~~
18 ~~effective date of this act. The taxes collected from~~
19 ~~the production of oil shall be apportioned pursuant to~~
20 ~~the provisions of paragraph 7 of subsection B of~~
21 ~~Section 1004 of this title. The taxes collected from~~
22 ~~the production of gas shall be apportioned pursuant to~~
23 ~~the provisions of paragraph 3 of subsection B of~~
24 ~~Section 1004 of this title, and~~

1 ~~f. the provisions of subparagraphs b and c of this~~
2 ~~paragraph shall only apply to the production of wells~~
3 ~~qualifying for the exemption provided under these~~
4 ~~subparagraphs prior to July 1, 2011. The production~~
5 ~~of oil, gas or oil and gas on or after July 1, 2011,~~
6 ~~and before July 1, 2015, from wells qualifying under~~
7 ~~subparagraph b of this paragraph shall be taxed at a~~
8 ~~rate of four percent (4%) until the expiration of~~
9 ~~forty-eight (48) months from the date of first sales~~
10 ~~and the production of oil, gas or oil and gas on or~~
11 ~~after July 1, 2011, and before July 1, 2015, from~~
12 ~~wells qualifying under subparagraph c of this~~
13 ~~paragraph shall be taxed at a rate of four percent~~
14 ~~(4%) until the expiration of sixty (60) months from~~
15 ~~the date of first sales.~~

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

19 ~~I. Except as otherwise provided by this section, the production~~
20 ~~of oil, gas or oil and gas from wells spudded or reentered between~~
21 ~~July 1, 1995, and July 1, 2015, which qualify as a new discovery~~
22 ~~pursuant to this subsection shall be exempt from the gross~~
23 ~~production tax levied pursuant to subsection B of this section from~~
24 ~~the date of first sales for a period of twenty-eight (28) months;~~

1 ~~provided however, that the exemption provided by this subsection~~
2 ~~shall not apply to production occurring on or after July 1, 2017.~~
3 ~~For all such wells spudded or reentered, a refund against gross~~
4 ~~production taxes shall be issued as provided in subsection L of this~~
5 ~~section. As used in this subsection, "new discovery" means~~
6 ~~production of oil, gas or oil and gas from:~~

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

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

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

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

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

8 ~~1. If the three-dimensional seismic shoot is shot prior to July~~
9 ~~1, 2000, for a period of eighteen (18) months; and~~

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

16 ~~K. 1. The exemptions provided for in subsections F, G, I and J~~
17 ~~of this section, the exemption provided for in subparagraph a of~~
18 ~~paragraph 2 of subsection H of this section, and the exemptions~~
19 ~~provided for in subparagraphs b and c of paragraph 2 of subsection H~~
20 ~~of this section for production from wells spudded before July 1,~~
21 ~~2005, shall not apply:~~

22 ~~a. to the severance or production of oil, upon~~
23 ~~determination by the Tax Commission that the average~~
24 ~~annual index price of Oklahoma oil exceeds Thirty~~

1 ~~Dollars (\$30.00) per barrel calculated on an annual~~
2 ~~calendar year basis, as adjusted for inflation using~~
3 ~~the Consumer Price Index-All Urban Consumers (CPI-U)~~
4 ~~as published by the Bureau of Labor Statistics of the~~
5 ~~U.S. Department of Labor or its successor agency.~~

6 ~~Such adjustment shall be based on the most current~~
7 ~~data available for the preceding twelve-month period~~
8 ~~and shall be applied for the fiscal year which begins~~
9 ~~on the July 1 date immediately following the release~~
10 ~~of the CPI-U data by the Bureau of Statistics.~~

11 ~~(1) The "average annual index price" will be~~
12 ~~calculated by multiplying the West Texas~~
13 ~~Intermediate closing price by the "index price~~
14 ~~ratio". The index price ratio is defined as the~~
15 ~~immediate preceding three-year historical average~~
16 ~~ratio of the actual weighted average wellhead~~
17 ~~price to the West Texas Intermediate close price~~
18 ~~published on the last business day of each month.~~

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

22 ~~(3) If the West Texas Intermediate Crude price is~~
23 ~~unavailable for any reason, an industry benchmark~~
24 ~~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
on the most current data available for the preceding
twelve-month period and shall be applied for the
fiscal year which begins on the July 1 date
immediately following the release of the CPI-U data by
the Bureau of Statistics.~~

~~(1) The "average annual index price" will be
calculated by multiplying the Henry Hub 3-Day
Average Close price by the "index price ratio".
The index price ratio is defined as the immediate~~

~~preceding three-year historical average ratio of
the actual weighted average wellhead price to the
Henry Hub 3-Day Average 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 Henry Hub 3-Day Average Close 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.~~

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

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

5 b. ~~fifty percent (50%) of the sum collected shall be~~
6 ~~apportioned to the appropriate school district as~~
7 ~~provided in subparagraph c of paragraph 1 of~~
8 ~~subsection B of Section 1004 of this title.~~

9 ~~Upon the expiration of the exemption granted pursuant to~~
10 ~~subsection E, F, G, H, I or J of this section, the provisions of~~
11 ~~this paragraph shall have no force or effect.~~

12 ~~L. 1. Prior to July 1, 2015, and except as provided in~~
13 ~~subsection M of this section, for all oil and gas production exempt~~
14 ~~from gross production taxes pursuant to subsections E, F, G, H, I~~
15 ~~and J of this section during a given fiscal year, a refund of gross~~
16 ~~production taxes shall be issued to the well operator or a designee~~
17 ~~in the amount of such gross production taxes paid during such~~
18 ~~period, subject to the following provisions:~~

19 a. ~~a refund shall not be claimed until after the end of~~
20 ~~such fiscal year. As used in this subsection, a~~
21 ~~fiscal year shall be deemed to begin on July 1 of one~~
22 ~~calendar year and shall end on June 30 of the~~
23 ~~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,~~
- ~~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 one percent (1%) as specified in subsection B of this section, 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 subsection~~

1 ~~may be used to qualify for another refund pursuant to~~
2 ~~the provisions of this subsection.~~

3 ~~If there are insufficient funds collected from the production of~~
4 ~~oil to satisfy the refunds claimed for oil production pursuant to~~
5 ~~subsection E, F, G, H, I or J of this section, the Tax Commission~~
6 ~~shall pay the balance of the refund claims out of the gross~~
7 ~~production taxes collected from the production of gas.~~

8 ~~2. On or after July 1, 2015, for all oil and gas production~~
9 ~~exempt from gross production taxes pursuant to subsections F and G~~
10 ~~of this section during a given fiscal year, a refund of gross~~
11 ~~production taxes shall be issued to the well operator or a designee~~
12 ~~in the amount of such gross production taxes paid during such~~
13 ~~period, subject to the following provisions:~~

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

19 ~~b. unless otherwise specified, no claims for refunds~~
20 ~~pursuant to the provisions of this subsection shall be~~
21 ~~filed more than eighteen (18) months after the first~~
22 ~~day of the fiscal year in which the refund is first~~
23 ~~available, or September 30, 2017, whichever is sooner,~~

1 ~~e. no claims for refunds pursuant to the provisions of~~
2 ~~this subsection shall be filed by or on behalf of~~
3 ~~persons other than the operator or a working interest~~
4 ~~owner of record at the time of production,~~

5 ~~d. no refunds shall be claimed or paid pursuant to the~~
6 ~~provisions of this subsection for oil or gas~~
7 ~~production upon which a tax is paid at a rate of two~~
8 ~~percent (2%), and~~

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

20 ~~If there are insufficient funds collected from the production of~~
21 ~~oil or gas to satisfy the refunds claimed for oil or gas production~~
22 ~~pursuant to subsection F or G of this section, the Tax Commission~~
23 ~~shall pay the balance of the refund claims out of the gross~~

1 ~~production taxes collected from either the production of oil or gas,~~
2 ~~as necessary.~~

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

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

12 ~~M. Claims for refunds pursuant to the provisions of subsections~~
13 ~~F, G, I and J and subparagraph a of paragraph 2 of subsection H of~~
14 ~~this section for production periods ending on or before June 30,~~
15 ~~2017, shall be paid pursuant to the provisions of this subsection.~~
16 ~~The claims for refunds referenced herein shall be paid in equal~~
17 ~~payments over a period of thirty six (36) months. The first payment~~
18 ~~shall be made after July 1, 2018, but prior to August 1, 2018. The~~
19 ~~Tax Commission shall provide, not later than June 30, 2018, to the~~
20 ~~operator or designated interest owner, a schedule of rebates to be~~
21 ~~paid out over the thirty six month period.~~

22 ~~N. 1. The Corporation Commission and the Tax Commission shall~~
23 ~~promulgate joint rules for the qualification for the exemptions~~
24 ~~provided for in this section and the rules shall contain provisions~~

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

10 ~~2. Any person requesting any exemption shall file an~~
11 ~~application for qualification for the exemption with the Corporation~~
12 ~~Commission which, upon finding that the well meets the requirements~~
13 ~~of this section, shall approve the application for qualification.~~

14 ~~3. Any person seeking an exemption shall:~~

- 15 ~~a. file an application for the exemption with the Tax~~
16 ~~Commission which, upon determination of qualification~~
17 ~~by the Corporation Commission, shall approve the~~
18 ~~application for an exemption, and~~
- 19 ~~b. provide a copy of the approved application to the~~
20 ~~remitter of the gross production tax.~~

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

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

11 ~~0. 1. Prior to July 1, 2015, persons shall only be entitled to~~
12 ~~either the exemption granted pursuant to subsection D of this~~
13 ~~section or the exemption granted pursuant to subsection E, F, G, H,~~
14 ~~I or J of this section for each oil, gas or oil and gas well drilled~~
15 ~~or recompleted in this state. However, any person who qualifies for~~
16 ~~the exemption granted pursuant to subsection E, F, G, H, I or J of~~
17 ~~this section shall not be prohibited from qualification for the~~
18 ~~exemption granted pursuant to subsection D of this section, if the~~
19 ~~exemption granted pursuant to subsection E, F, G, H, I or J of this~~
20 ~~section has expired.~~

21 ~~2. On or after July 1, 2015, all persons shall only be entitled~~
22 ~~to either the exemption granted pursuant to subsection D of this~~
23 ~~section or the exemption granted pursuant to subsection F or G of~~
24 ~~this section for each oil, gas, or oil and gas well drilled or~~

1 ~~recompleted in this state. However, any person who qualifies for~~
2 ~~the exemption granted pursuant to subsections F and G of this~~
3 ~~section shall not be prohibited from qualification for the exemption~~
4 ~~granted pursuant to subsection D of this section if the exemption~~
5 ~~granted pursuant to subsection F or G of this section has expired.~~
6 ~~Further, the exemption granted pursuant to subsection D of this~~
7 ~~section shall not apply to any production upon which a tax is paid~~
8 ~~at a rate of two percent (2%).~~

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

18 ~~Q.~~ E. Any person or any member of any firm or association, or
19 any officer, official, agent or employee of any corporation who
20 shall fail or refuse to testify; or who shall fail or refuse to
21 produce any books, records or papers which the Tax Commission shall
22 require; or who shall fail or refuse to furnish any other evidence
23 or information which the Tax Commission may require; or who shall
24 fail or refuse to answer any competent questions which may be put to

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

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

21 ~~S.~~ G. The payment of the taxes herein levied shall be in full,
22 and in lieu of all taxes by the state, counties, cities, towns,
23 school districts and other municipalities upon any property rights
24 attached to or inherent in the right to the minerals, upon producing

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

19 ~~F.~~ H. No equipment, material or property shall be exempt from
20 the payment of ad valorem tax by reason of the payment of the gross
21 production tax except such equipment, machinery, tools, material or
22 property as is actually necessary and being used and in use in the
23 production of asphalt or of ores bearing lead, zinc, jack or copper
24 or of oil or gas. Provided, the exemption shall include the

1 wellbore and non-recoverable down-hole material, including casing,
2 actually used in the disposal of waste materials produced with such
3 oil or gas. It is expressly declared that no ice plants, hospitals,
4 office buildings, garages, residences, gasoline extraction or
5 absorption plants, water systems, fuel systems, rooming houses and
6 other buildings, nor any equipment or material used in connection
7 therewith, shall be exempt from ad valorem tax.

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

13 SECTION 8. AMENDATORY 68 O.S. 2011, Section 1004, as
14 last amended by Section 2, Chapter 355, O.S.L. 2017 (68 O.S. Supp.
15 2017, Section 1004), is amended to read as follows:

16 Section 1004. A. As used in this section:

17 1. "Moving five-year average amount for gas" means, for
18 purposes of the apportionments prescribed by this section, the
19 amount of gross production tax on natural gas collected for each of
20 the five (5) complete fiscal years, as computed by the State Board
21 of Equalization pursuant to Section 34.103 of Title 62 of the
22 Oklahoma Statutes; and

23 2. "Moving five-year average amount for oil" means, for
24 purposes of the apportionments prescribed by this section, the

1 amount of gross production tax on oil collected for each of the five
2 (5) complete fiscal years, as computed by the State Board of
3 Equalization pursuant to Section 34.103 of Title 62 of the Oklahoma
4 Statutes.

5 B. Beginning July 1, 2017, the gross production tax provided
6 for in Section 1001 of this title is hereby levied and shall be
7 collected and apportioned as follows:

8 1. For all monies collected from the tax levied on asphalt or
9 ores bearing uranium, lead, zinc, jack, gold, silver or copper:

10 a. eighty-five and seventy-two one-hundredths percent
11 (85.72%) shall be paid to the State Treasurer of the
12 state to be placed in the General Revenue Fund of the
13 state and used for the general expense of state
14 government, to be paid out pursuant to direct
15 appropriation by the Legislature,

16 b. seven and fourteen one-hundredths percent (7.14%) of
17 the sum collected from natural gas and/or casinghead
18 gas or asphalt or ores bearing uranium, lead, zinc,
19 jack, gold, silver or copper shall be paid to the
20 various county treasurers to be credited to the County
21 Highway Fund as follows: Each county shall receive a
22 proportionate share of the funds available based upon
23 the proportion of the total value of production from
24

1 such county in the corresponding month of the
2 preceding year, and

- 3 c. seven and fourteen one-hundredths percent (7.14%)
4 shall be allocated to each county as provided for in
5 subparagraph b of this paragraph and shall be
6 apportioned, on an average daily attendance per capita
7 distribution basis, as certified by the State
8 Superintendent of Public Instruction to the school
9 districts of the county where such pupils attend
10 school regardless of residence of such pupil, provided
11 the school district makes an ad valorem tax levy of
12 fifteen (15) mills for the current year and maintains
13 twelve (12) years of instruction;

14 2. For all monies collected from the tax levied on natural gas
15 and/or casinghead gas at a tax rate of seven percent (7%) pursuant
16 to the provisions of subsection B of Section 1001 of this title:

- 17 a. after the total revenue apportioned to the General
18 Revenue Fund as prescribed by subparagraph b of this
19 paragraph equals the moving five-year average amount
20 for gas as defined by paragraph 1 of subsection A of
21 this section, there shall be apportioned from the
22 gross production tax levy imposed pursuant to Section
23 1001 of this title on natural gas and/or casinghead
24 gas to the Revenue Stabilization Fund created by

1 Section 34.102 of Title 62 of the Oklahoma Statutes,
2 the amount of revenue, if any, which exceeds the
3 moving five-year average amount for gas as defined
4 pursuant to paragraph 1 of subsection A of this
5 section,

6 b. until the apportionment to the General Revenue Fund
7 equals the moving five-year average amount for gas as
8 prescribed by paragraph 1 of subsection A of this
9 section, eighty-five and seventy-two one-hundredths
10 percent (85.72%) shall be paid to the State Treasurer
11 of the state to be placed in the General Revenue Fund
12 of the state and used for the general expense of state
13 government, to be paid out pursuant to direct
14 appropriation by the Legislature,

15 c. before any other apportionment of revenue has been
16 made pursuant to this paragraph, seven and fourteen
17 one-hundredths percent (7.14%) of the sum collected
18 from natural gas and/or casinghead gas shall be paid
19 to the various county treasurers to be credited to the
20 County Highway Fund as follows: Each county shall
21 receive a proportionate share of the funds available
22 based upon the proportion of the total value of
23 production from such county in the corresponding month
24 of the preceding year, and

1 d. before any other apportionment of revenue has been
2 made pursuant to this paragraph, seven and fourteen
3 one-hundredths percent (7.14%) shall be allocated to
4 each county as provided for in subparagraph c of this
5 paragraph and shall be apportioned, on an average
6 daily attendance per capita distribution basis, as
7 certified by the State Superintendent of Public
8 Instruction to the school districts of the county
9 where such pupils attend school regardless of
10 residence of such pupil, provided the school district
11 makes an ad valorem tax levy of fifteen (15) mills for
12 the current year and maintains twelve (12) years of
13 instruction;

14 3. For all monies collected from the tax levied on natural gas
15 and/or casinghead gas at a tax rate of four percent (4%) pursuant to
16 the provisions of subsections B and E of Section 1001 of this title:

17 a. after the total revenue apportioned to the General
18 Revenue Fund as prescribed by subparagraph b of this
19 paragraph equals the moving five-year average amount
20 for gas as defined by paragraph 1 of subsection A of
21 this section, there shall be apportioned from the
22 gross production tax levy imposed pursuant to Section
23 1001 of this title on natural gas and/or casinghead
24 gas to the Revenue Stabilization Fund created pursuant

1 to Section 34.102 of Title 62 of the Oklahoma
2 Statutes, the amount of revenue, if any, which exceeds
3 the moving five-year average amount for gas as defined
4 pursuant to paragraph 1 of subsection A of this
5 section,

6 b. until the apportionment to the General Revenue Fund
7 equals the moving five-year average amount for gas as
8 prescribed by paragraph 1 of subsection A of this
9 section, seventy-five percent (75%) shall be paid to
10 the State Treasurer of the state to be placed in the
11 General Revenue Fund of the state and used for the
12 general expense of state government, to be paid out
13 pursuant to direct appropriation by the Legislature,

14 c. before any other apportionment of revenue has been
15 made pursuant to this paragraph, twelve and one-half
16 percent (12.5%) of the sum collected from natural gas
17 and/or casinghead gas shall be paid to the various
18 county treasurers to be credited to the County Highway
19 Fund as follows: Each county shall receive a
20 proportionate share of the funds available based upon
21 the proportion of the total value of production from
22 such county in the corresponding month of the
23 preceding year, and
24

1 d. before any other apportionment of revenue has been
2 made pursuant to this paragraph, twelve and one-half
3 percent (12.5%) shall be allocated to each county as
4 provided for in subparagraph c of this paragraph and
5 shall be apportioned, on an average daily attendance
6 per capita distribution basis, as certified by the
7 State Superintendent of Public Instruction to the
8 school districts of the county where such pupils
9 attend school regardless of residence of such pupil,
10 provided the school district makes an ad valorem tax
11 levy of fifteen (15) mills for the current year and
12 maintains twelve (12) years of instruction;

13 4. For all monies collected from the tax levied on natural gas
14 and/or casinghead gas at a tax rate of one percent (1%) pursuant to
15 the provisions of subsection B of Section 1001 of this title:

16 a. fifty percent (50%) of the sum collected from natural
17 gas and/or casinghead gas shall be paid to the various
18 county treasurers to be credited to the County Highway
19 Fund as follows: Each county shall receive a
20 proportionate share of the funds available based upon
21 the proportion of the total value of production from
22 such county in the corresponding month of the
23 preceding year, and
24

1 b. fifty percent (50%) shall be allocated to each county
2 as provided for in subparagraph a of this paragraph
3 and shall be apportioned, on an average daily
4 attendance per capita distribution basis, as certified
5 by the State Superintendent of Public Instruction to
6 the school districts of the county where such pupils
7 attend school regardless of residence of such pupil,
8 provided the school district makes an ad valorem tax
9 levy of fifteen (15) mills for the current year and
10 maintains twelve (12) years of instruction;

11 5. For all monies collected from the tax levied on natural gas
12 and/or casinghead gas at a tax rate of two percent (2%) pursuant to
13 the provisions of subparagraph c of paragraph 3 of subsection B of
14 Section 1001 of this title:

15 a. after the total revenue apportioned to the General
16 Revenue Fund as prescribed by subparagraph b of this
17 paragraph equals the moving five-year average amount
18 for gas as defined by paragraph 1 of subsection A of
19 this section, there shall be apportioned from the
20 gross production tax levy imposed pursuant to Section
21 1001 of this title on gas to the Revenue Stabilization
22 Fund created by Section 34.102 of Title 62 of the
23 Oklahoma Statutes, the amount of revenue, if any,
24 which exceeds the moving five-year average amount for

- 1 natural gas and/or casinghead gas as defined pursuant
2 to paragraph 1 of subsection A of this section,
- 3 b. until the apportionment to the General Revenue Fund
4 equals the moving five-year average amount for gas as
5 prescribed by paragraph 1 of subsection A of this
6 section, fifty percent (50%) shall be paid to the
7 State Treasurer to be placed in the General Revenue
8 Fund of the state and used for the general expense of
9 state government, to be paid out pursuant to direct
10 appropriation by the Legislature,
- 11 c. before any other apportionment of revenue has been
12 made pursuant to this paragraph, twenty-five percent
13 (25%) of the sum collected from natural gas and/or
14 casinghead gas shall be paid to the various county
15 treasurers to be credited to the County Highway Fund
16 as follows: Each county shall receive a proportionate
17 share of the funds available based upon the proportion
18 of the total value of production from such county in
19 the corresponding month of the preceding year, and
- 20 d. before any other apportionment of revenue has been
21 made pursuant to this paragraph, twenty-five percent
22 (25%) shall be allocated to each county as provided
23 for in subparagraph c of this paragraph and shall be
24 apportioned on an average daily attendance per capita

1 distribution basis, as certified by the State
2 Superintendent of Public Instruction, to the school
3 districts of the county where such pupils attend
4 school regardless of residence of such pupil, provided
5 the school district makes an ad valorem tax levy of
6 fifteen (15) mills for the current year and maintains
7 twelve (12) years of instruction;

8 6. For all monies collected from the tax levied on oil at a tax
9 rate of seven percent (7%) pursuant to the provisions of subsection
10 B of Section 1001 of this title:

- 11 a. there shall be apportioned from the gross production
12 tax levy imposed pursuant to Section 1001 of this
13 title on oil to the Revenue Stabilization Fund created
14 by Section 34.102 of Title 62 of the Oklahoma
15 Statutes, after the applicable maximum amount
16 prescribed by subsection C of this section has been
17 deposited to the funds therein specified, the amount
18 of revenue, if any, which would otherwise be
19 apportioned to the General Revenue Fund and which
20 exceeds the moving five-year average amount for oil as
21 defined pursuant to paragraph 2 of subsection A of
22 this section,
- 23 b. before any other apportionment of revenue has been
24 made pursuant to this paragraph, twenty-five and

1 seventy-two one-hundredths percent (25.72%) shall be
2 paid to the State Treasurer to be placed in the Common
3 Education Technology Revolving Fund created in Section
4 34.90 of Title 62 of the Oklahoma Statutes,

5 c. before any other apportionment of revenue has been
6 made pursuant to this paragraph, twenty-five and
7 seventy-two one-hundredths percent (25.72%) shall be
8 paid to the State Treasurer to be placed in the Higher
9 Education Capital Revolving Fund created in Section
10 34.91 of Title 62 of the Oklahoma Statutes,

11 d. before any other apportionment of revenue has been
12 made pursuant to this paragraph, twenty-five and
13 seventy-two one-hundredths percent (25.72%) shall be
14 paid to the State Treasurer to be placed in the
15 Oklahoma Student Aid Revolving Fund created in Section
16 34.92 of Title 62 of the Oklahoma Statutes,

17 e. before any other apportionment of revenue has been
18 made pursuant to this paragraph, three and seven
19 hundred forty-five one-thousandths percent (3.745%)
20 shall be distributed to the various counties of the
21 state for deposit into the County Bridge and Road
22 Improvement Fund of each county based on a formula
23 developed by the Department of Transportation and
24 approved by the Department of Transportation County

1 Advisory Board created pursuant to Section 302.1 of
2 Title 69 of the Oklahoma Statutes to be used for the
3 purposes set forth in the County Bridge and Road
4 Improvement Act. The formula shall be similar to the
5 formula currently used for the distribution of monies
6 in the County Bridge Program funds, but shall also
7 take into consideration the effect of the terrain and
8 traffic volume as related to county road improvement
9 and maintenance costs,

10 f. before any other apportionment of revenue has been
11 made pursuant to this paragraph, four and twenty-eight
12 one-hundredths percent (4.28%) shall be paid to the
13 State Treasurer to be apportioned to:

14 (1) the following sources and in the following
15 amounts through the fiscal year ending June 30,
16 2019:

17 (a) thirty-three and one-third percent (33 1/3%)
18 to the Oklahoma Tourism and Recreation
19 Department Capital Expenditure Revolving
20 Fund created pursuant to Section 2254.1 of
21 Title 74 of the Oklahoma Statutes,

22 (b) thirty-three and one-third percent (33 1/3%)
23 to the Oklahoma Conservation Commission
24 Infrastructure Revolving Fund created

1 pursuant to Section 3-2-110 of Title 27A of
2 the Oklahoma Statutes, and

3 (c) thirty-three and one-third percent (33 1/3%)
4 to the Community Water Infrastructure
5 Development Revolving Fund created pursuant
6 to Section 1085.7A of Title 82 of the
7 Oklahoma Statutes, and

8 (2) the Oklahoma Water Resources Board Rural Economic
9 Action Plan Water Projects Fund for the fiscal
10 year beginning July 1, 2019, and for each fiscal
11 year thereafter,

12 g. before any other apportionment of revenue has been
13 made pursuant to this paragraph, seven and fourteen
14 one-hundredths percent (7.14%) of the sum collected
15 from oil shall be paid to the various county
16 treasurers, to be credited to the County Highway Fund
17 as follows: Each county shall receive a proportionate
18 share of the funds available based upon the proportion
19 of the total value of production from such county in
20 the corresponding month of the preceding year,

21 h. before any other apportionment of revenue has been
22 made pursuant to this paragraph, seven and fourteen
23 one-hundredths percent (7.14%) shall be allocated to
24 each county as provided in subparagraph g of this

paragraph and shall be apportioned, on an average daily attendance per capita distribution basis, as certified by the State Superintendent of Public Instruction, to the school districts of the county where such pupils attend school regardless of residence of such pupil, provided the school district makes an ad valorem tax levy of fifteen (15) mills for the current year and maintains twelve (12) years of instruction, and

- i. before any other apportionment of revenue has been made pursuant to this paragraph, five hundred thirty-five one-thousandths percent (0.535%) of the levy shall be transmitted by the Oklahoma Tax Commission to the Statewide Circuit Engineering District Revolving Fund as created in Section 687.2 of Title 69 of the Oklahoma Statutes;

7. For all monies collected from the tax levied on oil at a tax rate of four percent (4%) pursuant to the provisions of subsections B and E of Section 1001 of this title:

- a. there shall be apportioned from the gross production tax levy imposed pursuant to Section 1001 of this title on oil to the Revenue Stabilization Fund created by Section 34.102 of Title 62 of the Oklahoma Statutes, after the applicable maximum amount

1 prescribed by subsection C of this section has been
2 deposited to the funds therein specified, the amount
3 of revenue, if any, which would otherwise be
4 apportioned to the General Revenue Fund and which
5 exceeds the moving five-year average amount for oil as
6 defined pursuant to paragraph 2 of subsection A of
7 this section,

8 b. before any other apportionment of revenue has been
9 made pursuant to this paragraph, twenty-two and one-
10 half percent (22.5%) shall be paid to the State
11 Treasurer to be placed in the Common Education
12 Technology Revolving Fund created in Section 34.90 of
13 Title 62 of the Oklahoma Statutes,

14 c. before any other apportionment of revenue has been
15 made pursuant to this paragraph, twenty-two and one-
16 half percent (22.5%) shall be paid to the State
17 Treasurer to be placed in the Higher Education Capital
18 Revolving Fund created in Section 34.91 of Title 62 of
19 the Oklahoma Statutes,

20 d. before any other apportionment of revenue has been
21 made pursuant to this paragraph, twenty-two and one-
22 half percent (22.5%) shall be paid to the State
23 Treasurer to be placed in the Oklahoma Student Aid
24

1 Revolving Fund created in Section 34.92 of Title 62 of
2 the Oklahoma Statutes,

3 e. before any other apportionment of revenue has been
4 made pursuant to this paragraph, three and twenty-
5 eight one-hundredths percent (3.28%) shall be
6 distributed to the various counties of the state for
7 deposit into the County Bridge and Road Improvement
8 Fund of each county based on a formula developed by
9 the Department of Transportation and approved by the
10 Department of Transportation County Advisory Board
11 created pursuant to Section 302.1 of Title 69 of the
12 Oklahoma Statutes to be used for the purposes set
13 forth in the County Bridge and Road Improvement Act.
14 The formula shall be similar to the formula currently
15 used for the distribution of monies in the County
16 Bridge Program funds, but shall also take into
17 consideration the effect of the terrain and traffic
18 volume as related to county road improvement and
19 maintenance costs,

20 f. before any other apportionment of revenue has been
21 made pursuant to this paragraph, three and seventy-
22 five one-hundredths percent (3.75%) shall be paid to
23 the State Treasurer to be apportioned to:
24

1 (1) the following sources and in the following
2 amounts through the fiscal year ending June 30,
3 2019:

4 (a) thirty-three and one-third percent (33 1/3%)
5 to the Oklahoma Tourism and Recreation
6 Department Capital Expenditure Revolving
7 Fund created pursuant to Section 2254.1 of
8 Title 74 of the Oklahoma Statutes,

9 (b) thirty-three and one-third percent (33 1/3%)
10 to the Oklahoma Conservation Commission
11 Infrastructure Revolving Fund created
12 pursuant to Section 3-2-110 of Title 27A of
13 the Oklahoma Statutes, and

14 (c) thirty-three and one-third percent (33 1/3%)
15 to the Community Water Infrastructure
16 Development Revolving Fund created pursuant
17 to Section 1085.7A of Title 82 of the
18 Oklahoma Statutes, and

19 (2) the Oklahoma Water Resources Board Rural Economic
20 Action Plan Water Projects Fund for the fiscal
21 year beginning July 1, 2019, and for each fiscal
22 year thereafter,

23 g. before any other apportionment of revenue has been
24 made pursuant to this paragraph, twelve and one-half

1 percent (12.5%) of the sum collected from oil shall be
2 paid to the various county treasurers, to be credited
3 to the County Highway Fund as follows: Each county
4 shall receive a proportionate share of the funds
5 available based upon the proportion of the total value
6 of production from such county in the corresponding
7 month of the preceding year,

8 h. before any other apportionment of revenue has been
9 made pursuant to this paragraph, twelve and one-half
10 percent (12.5%) shall be allocated to each county as
11 provided in subparagraph g of this paragraph and shall
12 be apportioned on an average daily attendance per
13 capita distribution basis, as certified by the State
14 Superintendent of Public Instruction, to the school
15 districts of the county where such pupils attend
16 school regardless of residence of such pupil, provided
17 the school district makes an ad valorem tax levy of
18 fifteen (15) mills for the current year and maintains
19 twelve (12) years of instruction, and

20 i. before any other apportionment of revenue has been
21 made pursuant to this paragraph, forty-seven one-
22 hundredths percent (0.47%) of the levy shall be
23 transmitted by the Tax Commission to the Statewide
24

1 Circuit Engineering District Revolving Fund as created
2 in Section 687.2 of Title 69 of the Oklahoma Statutes;

3 8. For all monies collected from the tax levied on oil at a tax
4 rate of one percent (1%) pursuant to the provisions of subsection B
5 of Section 1001 of this title:

6 a. fifty percent (50%) of the sum collected shall be paid
7 to the various county treasurers, to be credited to
8 the County Highway Fund as follows: Each county shall
9 receive a proportionate share of the funds available
10 based upon the proportion of the total value of
11 production from such county in the corresponding month
12 of the preceding year, and

13 b. fifty percent (50%) shall be allocated to each county
14 as provided for in subparagraph a of this paragraph
15 and shall be apportioned on an average daily
16 attendance per capita distribution basis, as certified
17 by the State Superintendent of Public Instruction, to
18 the school districts of the county where such pupils
19 attend school regardless of residence of such pupil,
20 provided the school district makes an ad valorem tax
21 levy of fifteen (15) mills for the current year and
22 maintains twelve (12) years of instruction;

1 9. For all monies collected from the tax levied on oil at a tax
2 rate of two percent (2%) pursuant to the provisions of subparagraph
3 c of paragraph 3 of subsection B of Section 1001 of this title:

4 a. there shall be apportioned from the gross production
5 tax levy imposed pursuant to Section 1001 of this
6 title on oil to the Revenue Stabilization Fund created
7 by Section 34.102 of Title 62 of the Oklahoma
8 Statutes, the amount of revenue, if any, which exceeds
9 the moving five-year average amount for oil as defined
10 pursuant to paragraph 2 of subsection A of this
11 section,

12 b. until the apportionment to the General Revenue Fund
13 equals the moving five-year average amount for oil as
14 prescribed by paragraph 2 of subsection A of this
15 section, fifty percent (50%) shall be paid to the
16 State Treasurer to be placed in the General Revenue
17 Fund of the state and used for the general expense of
18 state government, to be paid out pursuant to direct
19 appropriation by the Legislature,

20 c. before any other apportionment of revenue has been
21 made pursuant to this paragraph, twenty-five percent
22 (25%) of the sum collected from oil shall be paid to
23 the various county treasurers, to be credited to the
24 County Highway Fund as follows: Each county shall

1 receive a proportionate share of the funds available
2 based upon the proportion of the total value of
3 production from such county in the corresponding month
4 of the preceding year, and

- 5 d. before any other apportionment of revenue has been
6 made pursuant to this paragraph, twenty-five percent
7 (25%) shall be allocated to each county as provided in
8 subparagraph c of this paragraph and shall be
9 apportioned on an average daily attendance per capita
10 distribution basis, as certified by the State
11 Superintendent of Public Instruction, to the school
12 districts of the county where such pupils attend
13 school regardless of residence of such pupil, provided
14 the school district makes an ad valorem tax levy of
15 fifteen (15) mills for the current year and maintains
16 twelve (12) years of instruction;

17 10. On or after the effective date of this act, the gross
18 production tax levied on natural gas or casinghead gas at the rate
19 of five percent (5%) provided for in paragraph 3 of subsection B of
20 Section 1001 of this title shall be apportioned as follows:

- 21 a. after the total revenue apportioned to the General
22 Revenue Fund as prescribed by subparagraph b of this
23 paragraph equals the moving five-year average amount
24 for gas as defined by paragraph 1 of subsection A of

1 this section, there shall be apportioned from the
2 gross production tax levy imposed pursuant to Section
3 1001 of this title on natural gas and/or casinghead
4 gas to the Revenue Stabilization Fund created pursuant
5 to Section 34.102 of Title 62 of the Oklahoma
6 Statutes, the amount of revenue, if any, which exceeds
7 the moving five-year average amount for gas as defined
8 pursuant to paragraph 1 of subsection A of this
9 section,

10 b. until the apportionment to the General Revenue Fund
11 equals the moving five-year average amount for gas as
12 prescribed by paragraph 1 of subsection A of this
13 section, eighty percent (80%) shall be paid to the
14 State Treasurer of the state to be placed in the
15 General Revenue Fund of the state and used for the
16 general expense of state government, to be paid out
17 pursuant to direct appropriation by the Legislature,

18 c. before any other apportionment of revenue has been
19 made pursuant to this paragraph, ten percent (10%) of
20 the sum collected from natural gas and/or casinghead
21 gas shall be paid to the various county treasurers to
22 be credited to the County Highway Fund as follows:
23 Each county shall receive a proportionate share of the
24 funds available based upon the proportion of the total

1 value of production from such county in the
2 corresponding month of the preceding year, and
3 d. before any other apportionment of revenue has been
4 made pursuant to this paragraph, ten percent (10%)
5 shall be allocated to each county as provided for in
6 subparagraph c of this paragraph and shall be
7 apportioned, on an average daily attendance per capita
8 distribution basis, as certified by the State
9 Superintendent of Public Instruction to the school
10 districts of the county where such pupils attend
11 school regardless of residence of such pupil, provided
12 the school district makes an ad valorem tax levy of
13 fifteen (15) mills for the current year and maintains
14 twelve (12) years of instruction; and

15 11. On or after the effective date of this act, the gross
16 production tax on oil levied at the rate of five percent (5%)
17 provided for in paragraph 3 of subsection B of this title shall be
18 apportioned as follows:

19 a. there shall be apportioned from the gross production
20 tax levy imposed pursuant to Section 1001 of this
21 title on oil to the Revenue Stabilization Fund created
22 by Section 34.102 of Title 62 of the Oklahoma
23 Statutes, after the applicable maximum amount
24 prescribed by subsection C of this section has been

1 deposited to the funds therein specified, the amount
2 of revenue, if any, which would otherwise be
3 apportioned to the General Revenue Fund and which
4 exceeds the moving five-year average amount for oil as
5 defined pursuant to paragraph 2 of subsection A of
6 this section,

7 b. before any other apportionment of revenue has been
8 made pursuant to this paragraph, twenty-three and
9 seventy-five one-hundredths percent (23.75%) shall be
10 paid to the State Treasurer to be placed in the Common
11 Education Technology Revolving Fund created in Section
12 34.90 of Title 62 of the Oklahoma Statutes,

13 c. before any other apportionment of revenue has been
14 made pursuant to this paragraph, twenty-three and
15 seventy-five one-hundredths percent (23.75%) shall be
16 paid to the State Treasurer to be placed in the Higher
17 Education Capital Revolving Fund created in Section
18 34.91 of Title 62 of the Oklahoma Statutes,

19 d. before any other apportionment of revenue has been
20 made pursuant to this paragraph, twenty-three and
21 seventy-five one-hundredths percent (23.75%) shall be
22 paid to the State Treasurer to be placed in the
23 Oklahoma Student Aid Revolving Fund created in Section
24 34.92 of Title 62 of the Oklahoma Statutes,

1 e. before any other apportionment of revenue has been
2 made pursuant to this paragraph, three and twenty-
3 eight one-hundredths percent (3.28%) shall be
4 distributed to the various counties of the state for
5 deposit into the County Bridge and Road Improvement
6 Fund of each county based on a formula developed by
7 the Department of Transportation and approved by the
8 Department of Transportation County Advisory Board
9 created pursuant to Section 302.1 of Title 69 of the
10 Oklahoma Statutes to be used for the purposes set
11 forth in the County Bridge and Road Improvement Act.
12 The formula shall be similar to the formula currently
13 used for the distribution of monies in the County
14 Bridge Program funds, but shall also take into
15 consideration the effect of the terrain and traffic
16 volume as related to county road improvement and
17 maintenance costs,

18 f. before any other apportionment of revenue has been
19 made pursuant to this paragraph, five percent (5%)
20 shall be paid to the State Treasurer to be apportioned
21 to:

22 (1) the following sources and in the following
23 amounts through the fiscal year ending June 30,
24 2019:

1 (a) thirty-three and one-third percent (33 1/3%)
2 to the Oklahoma Tourism and Recreation
3 Department Capital Expenditure Revolving
4 Fund created pursuant to Section 2254.1 of
5 Title 74 of the Oklahoma Statutes,

6 (b) thirty-three and one-third percent (33 1/3%)
7 to the Oklahoma Conservation Commission
8 Infrastructure Revolving Fund created
9 pursuant to Section 3-2-110 of Title 27A of
10 the Oklahoma Statutes, and

11 (c) thirty-three and one-third percent (33 1/3%)
12 to the Community Water Infrastructure
13 Development Revolving Fund created pursuant
14 to Section 1085.7A of Title 82 of the
15 Oklahoma Statutes, and

16 (2) the Oklahoma Water Resources Board Rural Economic
17 Action Plan Water Projects Fund for the fiscal
18 year beginning July 1, 2019, and for each fiscal
19 year thereafter,

20 g. before any other apportionment of revenue has been
21 made pursuant to this paragraph, ten percent (10%) of
22 the sum collected from oil shall be paid to the
23 various county treasurers, to be credited to the
24 County Highway Fund as follows: Each county shall

1 receive a proportionate share of the funds available
2 based upon the proportion of the total value of
3 production from such county in the corresponding month
4 of the preceding year,

5 h. before any other apportionment of revenue has been
6 made pursuant to this paragraph, ten percent (10%)
7 shall be allocated to each county as provided in
8 subparagraph g of this paragraph and shall be
9 apportioned on an average daily attendance per capita
10 distribution basis, as certified by the State
11 Superintendent of Public Instruction, to the school
12 districts of the county where such pupils attend
13 school regardless of residence of such pupil, provided
14 the school district makes an ad valorem tax levy of
15 fifteen (15) mills for the current year and maintains
16 twelve (12) years of instruction, and

17 i. before any other apportionment of revenue has been
18 made pursuant to this paragraph, forty-seven one-
19 hundredths percent (0.47%) of the levy shall be
20 transmitted by the Tax Commission to the Statewide
21 Circuit Engineering District Revolving Fund as created
22 in Section 687.2 of Title 69 of the Oklahoma Statutes.

23 C. Provided, notwithstanding any other provision of this
24 section, the total amounts deposited to the Common Education

1 Technology Revolving Fund, the Higher Education Capital Revolving
2 Fund, the Oklahoma Student Aid Revolving Fund, the Rural Economic
3 Action Plan Water Projects Fund, the Oklahoma Tourism and Recreation
4 Department Capital Expenditure Revolving Fund, the Oklahoma
5 Conservation Commission Infrastructure Revolving Fund and the
6 Community Water Infrastructure Development Revolving Fund pursuant
7 to paragraphs 6, ~~and 7~~ and 11 of subsection B of this section shall
8 not exceed One Hundred Fifty Million Dollars (\$150,000,000.00) in
9 any fiscal year. Except as otherwise provided in this subsection,
10 all sums in excess of One Hundred Fifty Million Dollars
11 (\$150,000,000.00) in any fiscal year which would otherwise be
12 deposited in such funds shall be apportioned by the Oklahoma Tax
13 Commission to the General Revenue Fund of the state.

14 SECTION 9. NEW LAW A new section of law to be codified
15 in the Oklahoma Statutes as Section 5501 of Title 68, unless there
16 is created a duplication in numbering, reads as follows:

17 Sections 9 through 15 of this act shall be known and may be
18 cited as the "Oklahoma Occupancy Tax Act".

19 SECTION 10. NEW LAW A new section of law to be codified
20 in the Oklahoma Statutes as Section 5502 of Title 68, unless there
21 is created a duplication in numbering, reads as follows:

22 The purpose of the Oklahoma Occupancy Tax Act is to provide
23 revenues for general government expenditures as provided for in the
24 apportionment of revenues described by Section 15 of this act.

1 SECTION 11. NEW LAW A new section of law to be codified
2 in the Oklahoma Statutes as Section 5503 of Title 68, unless there
3 is created a duplication in numbering, reads as follows:

4 As used in this act:

5 1. "Extended-stay rental" means providing for value to the
6 public a hotel room for longer than thirty (30) consecutive days to
7 the same customer;

8 2. "Hotel" means a building that has three or more hotel rooms
9 under common ownership, regardless of the name of the establishment
10 and regardless of how the establishment classifies itself;

11 3. "Hotel room" means a room (or suite of conjoined rooms
12 offered as a single accommodation) (i) in a hotel (ii) that is used
13 to provide private sleeping accommodations to paying customers and
14 (iii) that typically includes linen or housekeeping service; and

15 4. "Innkeeper" means any person who is subject to taxation
16 under this act for the furnishing for value to the public a hotel
17 room.

18 SECTION 12. NEW LAW A new section of law to be codified
19 in the Oklahoma Statutes as Section 5504 of Title 68, unless there
20 is created a duplication in numbering, reads as follows:

21 On or after the effective date of this act, each innkeeper in
22 this state shall charge Five Dollars (\$5.00) per night to the
23 customer, unless it is an extended-stay rental, for each calendar
24 day a hotel room is rented or leased. The innkeeper shall collect

1 the tax at the time the customer pays for the rental or lease of
2 such hotel room. The innkeeper collecting the tax shall remit the
3 tax in the same manner and at the same time as required for the
4 collection and remittance of sales tax on a monthly basis to the
5 Oklahoma Tax Commission pursuant to the provisions of the Oklahoma
6 Sales Tax Code.

7 SECTION 13. NEW LAW A new section of law to be codified
8 in the Oklahoma Statutes as Section 5505 of Title 68, unless there
9 is created a duplication in numbering, reads as follows:

10 A. The provisions of the Oklahoma Sales Tax Code and the
11 provisions of the Uniform Tax Procedure Code shall be applicable to
12 innkeepers required to collect and remit the tax imposed pursuant to
13 the provisions of this act, including penalty, interest and
14 provisions related to the failure to file required returns.

15 B. The tax imposed pursuant to Section 12 of this act shall be
16 separately stated on the bill or invoice and shall be paid by the
17 customer in the same manner as sales tax.

18 SECTION 14. NEW LAW A new section of law to be codified
19 in the Oklahoma Statutes as Section 5506 of Title 68, unless there
20 is created a duplication in numbering, reads as follows:

21 The United States government and its agencies or
22 instrumentalities shall not be subject to the tax imposed pursuant
23 to the Oklahoma Occupancy Tax Act.

SECTION 15. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 5507 of Title 68, unless there is created a duplication in numbering, reads as follows:

All revenues derived from the Oklahoma Occupancy Tax Act shall be apportioned to the General Revenue Fund to be used for general government purposes.

SECTION 16. REPEALER 68 O.S. 2011, Section 402-2, is hereby repealed.

Passed the House of Representatives the 26th day of March, 2018.

Presiding Officer of the House
of Representatives

Passed the Senate the _____ day of _____, 2018.

Presiding Officer of the Senate