

STATE OF OKLAHOMA

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

HOUSE BILL 1012

By: Inman

AS INTRODUCED

An Act relating to revenue and taxation; ordering a legislative referendum pursuant to the Oklahoma Constitution; amending 68 O.S. 2011, Section 1001, as last amended by Section 1, Chapter 355, O.S.L. 2017 (68 O.S. Supp. 2017, Section 1001), which relates to gross production tax; limiting period where certain reduced rates are applicable; implementing an additional reduced rate for certain periods; amending 68 O.S. 2011, Section 1004, as last amended by Section 2, Chapter 355, O.S.L. 2017 (68 O.S. Supp. 2017, Section 1004), which relates to the apportionment and use of proceeds of gross production tax; providing for apportionment of certain tax proceeds; providing ballot title; and directing filing.

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

SECTION 1. Pursuant to Section 3 of Article V of the Oklahoma Constitution, there is hereby ordered the following legislative referendum which shall be filed with the Secretary of State and addressed to the Governor of the state, who shall submit the same to the people for their approval or rejection at the next General Election.

SECTION 2. AMENDATORY 68 O.S. 2011, Section 1001, as last amended by Section 1, Chapter 355, O.S.L. 2017 (68 O.S. Supp. 2017, Section 1001), is amended to read as follows:

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

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

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

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

- a. upon the production of oil a tax equal to seven percent (7%) of the gross value of the production of oil based on a per barrel measurement of forty-two (42) U.S. gallons of two hundred thirty-one (231)

1 cubic inches per gallon, computed at a temperature of
2 sixty (60) degrees Fahrenheit,

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

6 c. notwithstanding the levies in subparagraphs a and b of
7 this paragraph, the production of oil, gas, or oil and
8 gas from wells spudded on or after July 1, 2015, and
9 prior to the effective date of this act, shall be
10 taxed at a rate of two percent (2%) commencing with
11 the month of first production for a period of thirty-
12 six (36) months; provided, however, such production
13 occurring on or after the effective date of this act
14 for the remainder of such thirty-six-month period
15 shall be subject to a reduced rate of five percent
16 (5%). Thereafter, the production shall be taxed as
17 provided in subparagraphs a and b of this paragraph,
18 and

19 d. notwithstanding the levies in subparagraphs a and b of
20 this paragraph, the production of oil, gas, or oil and
21 gas from wells spudded on or after the effective date
22 of this act, shall be subject to a reduced rate of
23 five percent (5%) commencing with the month of first
24 production for a period of thirty-six (36) months.

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

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

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

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

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

11 4. For purposes of this subsection:

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

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

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

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

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

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

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

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

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

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

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

1 horizontally drilled well shall be reduced to a rate of one percent
2 (1%) for a period of forty-eight (48) months from the month of
3 initial production; provided ~~however~~, such production occurring on
4 or after July 1, 2017, and prior to the effective date of this act
5 for the remainder of such forty-eight-month period shall be subject
6 to a reduced rate of four percent (4%); further provided, such
7 production occurring on or after the effective date of this act for
8 the remainder of such forty-eight-month period shall be subject to a
9 reduced rate of five percent (5%). The taxes collected from the
10 production of oil shall be apportioned pursuant to the provisions of
11 paragraph 7 of subsection B of Section 1004 of this title. The
12 taxes collected from the production of gas shall be apportioned
13 pursuant to the provisions of paragraph 3 of subsection B of Section
14 1004 of this title.

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

20 5. As used in this subsection, "horizontally drilled well"
21 shall mean an oil, gas or oil and gas well drilled or recompleted in
22 a manner which encounters and subsequently produces from a
23 geological formation at an angle in excess of seventy (70) degrees
24

1 from vertical and which laterally penetrates a minimum of one
2 hundred fifty (150) feet into the pay zone of the formation.

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

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

1 the appropriate forms on file with the Corporation Commission
2 reflecting the well's status. Wells which experience mechanical
3 failure or loss of mechanical integrity, as defined by the
4 Corporation Commission, including but not limited to, casing leaks,
5 collapse of casing or loss of equipment in a wellbore, or any
6 similar event which causes cessation of production, shall also be
7 considered inactive wells.

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

21 2. As used in this subsection:

22 a. for production enhancement projects having a project
23 beginning date on or after July 1, 1997, and prior to
24 July 1, 2017, "production enhancement project" means

1 any workover as defined in this paragraph,
2 recompletion as defined in this paragraph, reentry of
3 plugged and abandoned wellbores, or addition of a well
4 or field compression,

5 b. "incremental production" means the amount of crude
6 oil, natural gas or other hydrocarbons which are
7 produced as a result of the production enhancement
8 project in excess of the base production,

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

1 project, the base production shall be the average
2 monthly production for the months during that period
3 that the well or wells produced,

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

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

- 21 (1) acidizing,
- 22 (2) reperforating,
- 23 (3) fracture treating,

24

- 1 (4) sand/paraffin/scale removal or other wellbore
2 cleanouts,
3 (5) casing repair,
4 (6) squeeze cementing,
5 (7) installation of compression on a well or group of
6 wells or initial installation of artificial lifts
7 on gas wells, including plunger lifts, rod pumps,
8 submersible pumps and coiled tubing velocity
9 strings,
10 (8) downsizing existing tubing to reduce well
11 loading,
12 (9) downhole commingling,
13 (10) bacteria treatments,
14 (11) upgrading the size of pumping unit equipment,
15 (12) setting bridge plugs to isolate water production
16 zones, or
17 (13) any combination thereof.

18 "Workover" shall not mean the routine maintenance,
19 routine repair, or like for like replacement of
20 downhole equipment such as rods, pumps, tubing,
21 packers, or other mechanical devices.

22 H. 1. For purposes of this subsection, "depth" means the
23 length of the maximum continuous string of drill pipe utilized
24 between the drill bit face and the drilling rig's kelly bushing.

1 2. Except as otherwise provided in subsection K of this
2 section:

- 3 a. the production of oil, gas or oil and gas from wells
4 spudded between July 1, 1997, and July 1, 2005, and
5 drilled to a depth of twelve thousand five hundred
6 (12,500) feet or greater and wells spudded between
7 July 1, 2005, and July 1, 2015, and drilled to a depth
8 between twelve thousand five hundred (12,500) feet and
9 fourteen thousand nine hundred ninety-nine (14,999)
10 feet shall be exempt from the gross production tax
11 levied pursuant to subsection B of this section from
12 the date of first sales for a period of twenty-eight
13 (28) months; provided however, that the exemption
14 provided by this subparagraph shall not apply to
15 production occurring on or after July 1, 2017,
- 16 b. the production of oil, gas or oil and gas from wells
17 spudded between July 1, 2002, and July 1, 2005, and
18 drilled to a depth of fifteen thousand (15,000) feet
19 or greater and wells spudded between July 1, 2005, and
20 July 1, 2011, and drilled to a depth between fifteen
21 thousand (15,000) feet and seventeen thousand four
22 hundred ninety-nine (17,499) feet shall be exempt from
23 the gross production tax levied pursuant to subsection
24

1 B of this section from the date of first sales for a
2 period of forty-eight (48) months,

3 c. the production of oil, gas or oil and gas from wells
4 spudded between July 1, 2002, and July 1, 2011, and
5 drilled to a depth of seventeen thousand five hundred
6 (17,500) feet or greater shall be exempt from the
7 gross production tax levied pursuant to subsection B
8 of this section from the date of first sales for a
9 period of sixty (60) months,

10 d. the tax levied pursuant to the provisions of this
11 section on the production of oil, gas or oil and gas
12 from wells spudded between July 1, 2011, and July 1,
13 2015, and drilled to a depth between fifteen thousand
14 (15,000) feet and seventeen thousand four hundred
15 ninety-nine (17,499) feet shall be reduced to a rate
16 of four percent (4%) for a period of forty-eight (48)
17 months from the date of first sales; provided,
18 however, that such production occurring on or after
19 the effective date of this act for the remainder of
20 such forty-eight-month period shall be subject to a
21 reduced rate of five percent (5%). The taxes
22 collected from the production of oil shall be
23 apportioned pursuant to the provisions of paragraph 7
24 of subsection B of Section 1004 of this title. The

- 1 taxes collected from the production of gas shall be
2 apportioned pursuant to the provisions of paragraph 3
3 of subsection B of Section 1004 of this title,
- 4 e. the tax levied pursuant to the provisions of this
5 section on the production of oil, gas or oil and gas
6 from wells spudded between July 1, 2011, and July 1,
7 2015, and drilled to a depth of seventeen thousand
8 five hundred (17,500) feet or greater shall be reduced
9 to a rate of four percent (4%) for a period of sixty
10 (60) months from the date of first sales; provided,
11 however, that such production occurring on or after
12 the effective date of this act for the remainder of
13 such sixty-month period shall be subject to a reduced
14 rate of five percent (5%). The taxes collected from
15 the production of oil shall be apportioned pursuant to
16 the provisions of paragraph 7 of subsection B of
17 Section 1004 of this title. The taxes collected from
18 the production of gas shall be apportioned pursuant to
19 the provisions of paragraph 3 of subsection B of
20 Section 1004 of this title, and
- 21 f. the provisions of subparagraphs b and c of this
22 paragraph shall only apply to the production of wells
23 qualifying for the exemption provided under these
24 subparagraphs prior to July 1, 2011. The production

1 of oil, gas or oil and gas on or after July 1, 2011,
2 and before July 1, 2015, from wells qualifying under
3 subparagraph b of this paragraph shall be taxed at a
4 rate of four percent (4%) until the expiration of
5 forty-eight (48) months from the date of first sales
6 and the production of oil, gas or oil and gas on or
7 after July 1, 2011, and before July 1, 2015, from
8 wells qualifying under subparagraph c of this
9 paragraph shall be taxed at a rate of four percent
10 (4%) until the expiration of sixty (60) months from
11 the date of first sales.

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

15 I. Except as otherwise provided by this section, the production
16 of oil, gas or oil and gas from wells spudded or reentered between
17 July 1, 1995, and July 1, 2015, which qualify as a new discovery
18 pursuant to this subsection shall be exempt from the gross
19 production tax levied pursuant to subsection B of this section from
20 the date of first sales for a period of twenty-eight (28) months;
21 provided however, that the exemption provided by this subsection
22 shall not apply to production occurring on or after July 1, 2017.
23 For all such wells spudded or reentered, a refund against gross
24 production taxes shall be issued as provided in subsection L of this

1 section. As used in this subsection, "new discovery" means
2 production of oil, gas or oil and gas from:

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

7 2. 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 beneath current production in a deeper producing interval
10 that is more than one (1) mile from the nearest oil well producing
11 from the same deeper producing interval;

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

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

21 J. Except as otherwise provided by this section, the production
22 of oil, gas or oil and gas from any well, drilling of which is
23 commenced after July 1, 2000, and prior to July 1, 2015, located
24 within the boundaries of a three-dimensional seismic shoot and

1 drilled based on three-dimensional seismic technology, shall be
2 exempt from the gross production tax levied pursuant to subsection B
3 of this section from the date of first sales as follows:

4 1. If the three-dimensional seismic shoot is shot prior to July
5 1, 2000, for a period of eighteen (18) months; and

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

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

18 a. to the severance or production of oil, upon
19 determination by the Tax Commission that the average
20 annual index price of Oklahoma oil exceeds Thirty
21 Dollars (\$30.00) per barrel calculated on an annual
22 calendar year basis, as adjusted for inflation using
23 the Consumer Price Index-All Urban Consumers (CPI-U)
24 as published by the Bureau of Labor Statistics of the

1 U.S. Department of Labor or its successor agency.

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

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

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

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

23 b. to the severance or production of oil or gas upon
24 which gross production taxes are paid at a rate of one

1 percent (1%) pursuant to the provisions of subsection
2 B of this section, and

3 c. to the severance or production of gas, upon
4 determination by the Tax Commission that the average
5 annual index price of Oklahoma gas exceeds Five
6 Dollars (\$5.00) per thousand cubic feet (mcf)
7 calculated on an annual calendar year basis as
8 adjusted for inflation using the Consumer Price Index-
9 All Urban Consumers (CPI-U) as published by the Bureau
10 of Labor Statistics of the U.S. Department of Labor or
11 its successor agency. Such adjustment shall be based
12 on the most current data available for the preceding
13 twelve-month period and shall be applied for the
14 fiscal year which begins on the July 1 date
15 immediately following the release of the CPI-U data by
16 the Bureau of Statistics.

17 (1) The "average annual index price" will be
18 calculated by multiplying the Henry Hub 3-Day
19 Average Close price by the "index price ratio".
20 The index price ratio is defined as the immediate
21 preceding three-year historical average ratio of
22 the actual weighted average wellhead price to the
23 Henry Hub 3-Day Average Close price published on
24 the last business day of each month.

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

4 (3) If the Henry Hub 3-Day Average Close price is
5 unavailable for any reason, an industry benchmark
6 price may be substituted and used for the
7 calculation of the index price as determined by
8 the Tax Commission.

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

20 a. fifty percent (50%) of the sum collected shall be
21 apportioned to the County Highway Fund as provided in
22 subparagraph b of paragraph 1 of subsection B of
23 Section 1004 of this title, and
24

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

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

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

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

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

- 1 c. 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 one
8 percent (1%) as specified in subsection B of this
9 section, and
- 10 e. no refund shall be paid unless the person making the
11 claim for refund demonstrates by affidavit or other
12 means prescribed by the Tax Commission that an amount
13 equal to or greater than the amount of the refund has
14 been invested in the exploration for or production of
15 crude oil or natural gas in this state by such person
16 not more than three (3) years prior to the date of the
17 claim. No amount of investment used to qualify for a
18 refund pursuant to the provisions of this subsection
19 may be used to qualify for another refund pursuant to
20 the provisions of this subsection.

21 If there are insufficient funds collected from the production of
22 oil to satisfy the refunds claimed for oil production pursuant to
23 subsection E, F, G, H, I or J of this section, the Tax Commission
24

1 shall pay the balance of the refund claims out of the gross
2 production taxes collected from the production of gas.

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

- 9 a. a refund shall not be claimed until after the end of
10 such fiscal year. As used in this subsection, a
11 fiscal year shall be deemed to begin on July 1 of one
12 calendar year and shall end on June 30 of the
13 subsequent calendar year,
- 14 b. unless otherwise specified, no claims for refunds
15 pursuant to the provisions of this subsection shall be
16 filed more than eighteen (18) months after the first
17 day of the fiscal year in which the refund is first
18 available, or September 30, 2017, whichever is sooner,
- 19 c. no claims for refunds pursuant to the provisions of
20 this subsection shall be filed by or on behalf of
21 persons other than the operator or a working interest
22 owner of record at the time of production,
- 23 d. no refunds shall be claimed or paid pursuant to the
24 provisions of this subsection for oil or gas

1 production upon which a tax is paid at a rate of two
2 percent (2%), and

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

14 If there are insufficient funds collected from the production of
15 oil or gas to satisfy the refunds claimed for oil or gas production
16 pursuant to subsection F or G of this section, the Tax Commission
17 shall pay the balance of the refund claims out of the gross
18 production taxes collected from either the production of oil or gas,
19 as necessary.

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

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

5 M. Claims for refunds pursuant to the provisions of subsections
6 F, G, I and J and subparagraph a of paragraph 2 of subsection H of
7 this section for production periods ending on or before June 30,
8 2017, shall be paid pursuant to the provisions of this subsection.
9 The claims for refunds referenced herein shall be paid in equal
10 payments over a period of thirty-six (36) months. The first payment
11 shall be made after July 1, 2018, but prior to August 1, 2018. The
12 Tax Commission shall provide, not later than June 30, 2018, to the
13 operator or designated interest owner, a schedule of rebates to be
14 paid out over the thirty-six-month period.

15 N. 1. The Corporation Commission and the Tax Commission shall
16 promulgate joint rules for the qualification for the exemptions
17 provided for in this section and the rules shall contain provisions
18 for verification of any wells from which production may be qualified
19 for the exemptions. The Tax Commission shall adopt rules and
20 regulations which establish guidelines for production of oil or gas
21 after July 1, 2011, which is exempt from tax pursuant to the
22 provisions of paragraph 1 of subsection E and subparagraphs b and c
23 of paragraph 2 of subsection H of this section to remit tax at the
24 reduced rate provided in paragraph 2 of subsection E and

1 subparagraphs d and e of paragraph 2 of subsection H of this section
2 until the end of the qualifying exemption period.

3 2. Any person requesting any exemption shall file an
4 application for qualification for the exemption with the Corporation
5 Commission which, upon finding that the well meets the requirements
6 of this section, shall approve the application for qualification.

7 3. Any person seeking an exemption shall:

8 a. file an application for the exemption with the Tax
9 Commission which, upon determination of qualification
10 by the Corporation Commission, shall approve the
11 application for an exemption, and

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

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

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

1 directing the first purchaser to resume tax remittance on his or her
2 behalf.

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

13 2. On or after July 1, 2015, all persons shall only be entitled
14 to either the exemption granted pursuant to subsection D of this
15 section or the exemption granted pursuant to subsection F or G of
16 this section for each oil, gas, or oil and gas well drilled or
17 recompleted in this state. However, any person who qualifies for
18 the exemption granted pursuant to subsections F and G of this
19 section shall not be prohibited from qualification for the exemption
20 granted pursuant to subsection D of this section if the exemption
21 granted pursuant to subsection F or G of this section has expired.
22 Further, the exemption granted pursuant to subsection D of this
23 section shall not apply to any production upon which a tax is paid
24 at a rate of two percent (2%).

1 P. The Tax Commission shall have the power to require any such
2 person engaged in mining or the production or the purchase of such
3 asphalt, mineral ores aforesaid, oil, or gas, or the owner of any
4 royalty interest therein to furnish any additional information by it
5 deemed to be necessary for the purpose of correctly computing the
6 amount of the tax; and to examine the books, records and files of
7 such person; and shall have power to conduct hearings and compel the
8 attendance of witnesses, and the production of books, records and
9 papers of any person.

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

1 and imprisonment; and each day of such refusal on the part of such
2 person shall constitute a separate and distinct offense.

3 R. The Tax Commission shall have the power and authority to
4 ascertain and determine whether or not any report herein required to
5 be filed with it is a true and correct report of the gross products,
6 and of the value thereof, of such person engaged in the mining or
7 production or purchase of asphalt and ores bearing minerals
8 aforesaid and of oil and gas. If any person has made an untrue or
9 incorrect report of the gross production or value or volume thereof,
10 or shall have failed or refused to make such report, the Tax
11 Commission shall, under the rules prescribed by it, ascertain the
12 correct amount of either, and compute the tax.

13 S. The payment of the taxes herein levied shall be in full, and
14 in lieu of all taxes by the state, counties, cities, towns, school
15 districts and other municipalities upon any property rights attached
16 to or inherent in the right to the minerals, upon producing leases
17 for the mining of asphalt and ores bearing lead, zinc, jack or
18 copper, or for oil, or for gas, upon the mineral rights and
19 privileges for the minerals aforesaid belonging or appertaining to
20 land, upon the machinery, appliances and equipment used in and
21 around any well producing oil, or gas, or any mine producing asphalt
22 or any of the mineral ores aforesaid and actually used in the
23 operation of such well or mine. The payment of gross production tax
24 shall also be in lieu of all taxes upon the oil, gas, asphalt or

1 ores bearing minerals hereinbefore mentioned during the tax year in
2 which the same is produced, and upon any investment in any of the
3 leases, rights, privileges, minerals or other property described
4 herein. Any interest in the land, other than that herein
5 enumerated, and oil in storage, asphalt and ores bearing minerals
6 hereinbefore named, mined, produced and on hand at the date as of
7 which property is assessed for general and ad valorem taxation for
8 any subsequent tax year, shall be assessed and taxed as other
9 property within the taxing district in which such property is
10 situated at the time.

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

24

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

6 SECTION 3. AMENDATORY 68 O.S. 2011, Section 1004, as
7 last amended by Section 2, Chapter 355, O.S.L. 2017 (68 O.S. Supp.
8 2017, Section 1004), is amended to read as follows:

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

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

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

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

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

3 a. eighty-five and seventy-two one-hundredths percent
4 (85.72%) shall be paid to the State Treasurer of the
5 state to be placed in the General Revenue Fund of the
6 state and used for the general expense of state
7 government, to be paid out pursuant to direct
8 appropriation by the Legislature,

9 b. seven and fourteen one-hundredths percent (7.14%) of
10 the sum collected from natural gas and/or casinghead
11 gas or asphalt or ores bearing uranium, lead, zinc,
12 jack, gold, silver or copper shall be paid to the
13 various county treasurers to be credited to the County
14 Highway Fund as follows: Each county shall receive a
15 proportionate share of the funds available based upon
16 the proportion of the total value of production from
17 such county in the corresponding month of the
18 preceding year, and

19 c. seven and fourteen one-hundredths percent (7.14%)
20 shall be allocated to each county as provided for in
21 subparagraph b of this paragraph and shall be
22 apportioned, on an average daily attendance per capita
23 distribution basis, as certified by the State
24 Superintendent of Public Instruction to the school

1 districts of the county where such pupils attend
2 school regardless of residence of such pupil, provided
3 the school district makes an ad valorem tax levy of
4 fifteen (15) mills for the current year and maintains
5 twelve (12) years of instruction;

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

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

22 b. until the apportionment to the General Revenue Fund
23 equals the moving five-year average amount for gas as
24 prescribed by paragraph 1 of subsection A of this

1 section, eighty-five and seventy-two one-hundredths
2 percent (85.72%) shall be paid to the State Treasurer
3 of the state to be placed in the General Revenue Fund
4 of the state and used for the general expense of state
5 government, to be paid out pursuant to direct
6 appropriation by the Legislature,

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

17 d. before any other apportionment of revenue has been
18 made pursuant to this paragraph, seven and fourteen
19 one-hundredths percent (7.14%) shall be allocated to
20 each county as provided for in subparagraph c of this
21 paragraph and shall be apportioned, on an average
22 daily attendance per capita distribution basis, as
23 certified by the State Superintendent of Public
24 Instruction to the school districts of the county

1 where such pupils attend school regardless of
2 residence of such pupil, provided the school district
3 makes an ad valorem tax levy of fifteen (15) mills for
4 the current year and maintains twelve (12) years of
5 instruction;

6 3. For all monies collected from the tax levied on natural gas
7 and/or casinghead gas at a tax rate of four percent (4%) pursuant to
8 the provisions of subsections B and E, and subparagraphs d and e of
9 paragraph 2 of subsection H of Section 1001 of this title and five
10 percent (5%) pursuant to the provisions of subsection E and
11 subparagraphs d and e of paragraph 2 of subsection H of Section 1001
12 of this title:

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

1 pursuant to paragraph 1 of subsection A of this
2 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, seventy-five percent (75%) shall be paid to
7 the State Treasurer of the state to be placed in the
8 General Revenue Fund of the state and used for the
9 general expense of state government, to be paid out
10 pursuant to direct appropriation by the Legislature,

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

21 d. before any other apportionment of revenue has been
22 made pursuant to this paragraph, twelve and one-half
23 percent (12.5%) shall be allocated to each county as
24 provided for in subparagraph c of this paragraph and

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

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

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

20 b. fifty percent (50%) shall be allocated to each county
21 as provided for in subparagraph a of this paragraph
22 and shall be apportioned, on an average daily
23 attendance per capita distribution basis, as certified
24 by the State Superintendent of Public Instruction to

1 the school districts of the county where such pupils
2 attend school regardless of residence of such pupil,
3 provided the school district makes an ad valorem tax
4 levy of fifteen (15) mills for the current year and
5 maintains twelve (12) years of instruction;

6 5. For all monies collected from the tax levied on natural gas
7 and/or casinghead gas at a tax rate of two percent (2%) or five
8 percent (5%) pursuant to the provisions of ~~subparagraph~~
9 subparagraphs c and d of paragraph 3 of subsection B of Section 1001
10 of this title:

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

1 prescribed by paragraph 1 of subsection A of this
2 section, fifty percent (50%) shall be paid to the
3 State Treasurer to be placed in the General Revenue
4 Fund of the state and used for the general expense of
5 state government, to be paid out pursuant to direct
6 appropriation by the Legislature,

- 7 c. before any other apportionment of revenue has been
8 made pursuant to this paragraph, twenty-five percent
9 (25%) of the sum collected from natural gas and/or
10 casinghead gas shall be paid to the various county
11 treasurers to be credited to the County Highway Fund
12 as follows: Each county shall receive a proportionate
13 share of the funds available based upon the proportion
14 of the total value of production from such county in
15 the corresponding month of the preceding year, and
16 d. before any other apportionment of revenue has been
17 made pursuant to this paragraph, twenty-five percent
18 (25%) shall be allocated to each county as provided
19 for in subparagraph c of this paragraph and shall be
20 apportioned on an average daily attendance per capita
21 distribution basis, as certified by the State
22 Superintendent of Public Instruction, to the school
23 districts of the county where such pupils attend
24 school regardless of residence of such pupil, provided

1 the school district makes an ad valorem tax levy of
2 fifteen (15) mills for the current year and maintains
3 twelve (12) years of instruction;

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

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

19 b. before any other apportionment of revenue has been
20 made pursuant to this paragraph, twenty-five and
21 seventy-two one-hundredths percent (25.72%) shall be
22 paid to the State Treasurer to be placed in the Common
23 Education Technology Revolving Fund created in Section
24 34.90 of Title 62 of the Oklahoma Statutes,

- c. before any other apportionment of revenue has been made pursuant to this paragraph, twenty-five and seventy-two one-hundredths percent (25.72%) shall be paid to the State Treasurer to be placed in the Higher Education Capital Revolving Fund created in Section 34.91 of Title 62 of the Oklahoma Statutes,
- d. before any other apportionment of revenue has been made pursuant to this paragraph, twenty-five and seventy-two one-hundredths percent (25.72%) shall be paid to the State Treasurer to be placed in the Oklahoma Student Aid Revolving Fund created in Section 34.92 of Title 62 of the Oklahoma Statutes,
- e. before any other apportionment of revenue has been made pursuant to this paragraph, three and seven hundred forty-five one-thousandths percent (3.745%) shall be distributed to the various counties of the state for deposit into the County Bridge and Road Improvement Fund of each county based on a formula developed by the Department of Transportation and approved by the Department of Transportation County Advisory Board created pursuant to Section 302.1 of Title 69 of the Oklahoma Statutes to be used for the purposes set forth in the County Bridge and Road Improvement Act. The formula shall be similar to the

1 formula currently used for the distribution of monies
2 in the County Bridge Program funds, but shall also
3 take into consideration the effect of the terrain and
4 traffic volume as related to county road improvement
5 and maintenance costs,

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

10 (1) the following sources and in the following
11 amounts through the fiscal year ending June 30,
12 2019:

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

18 (b) thirty-three and one-third percent (33 1/3%)
19 to the Oklahoma Conservation Commission
20 Infrastructure Revolving Fund created
21 pursuant to Section 3-2-110 of Title 27A of
22 the Oklahoma Statutes, and

23 (c) thirty-three and one-third percent (33 1/3%)
24 to the Community Water Infrastructure

1 Development Revolving Fund created pursuant
2 to Section 1085.7A of Title 82 of the
3 Oklahoma Statutes, and

4 (2) the Oklahoma Water Resources Board Rural Economic
5 Action Plan Water Projects Fund for the fiscal
6 year beginning July 1, 2019, and for each fiscal
7 year thereafter,

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

17 h. before any other apportionment of revenue has been
18 made pursuant to this paragraph, seven and fourteen
19 one-hundredths percent (7.14%) shall be allocated to
20 each county as provided in subparagraph g of this
21 paragraph and shall be apportioned, on an average
22 daily attendance per capita distribution basis, as
23 certified by the State Superintendent of Public
24 Instruction, to the school districts of the county

1 where such pupils attend school regardless of
2 residence of such pupil, provided the school district
3 makes an ad valorem tax levy of fifteen (15) mills for
4 the current year and maintains twelve (12) years of
5 instruction, and

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

13 7. For all monies collected from the tax levied on oil at a tax
14 rate of four percent (4%) pursuant to the provisions of subsections
15 B and E, and subparagraphs d and e of paragraph 2 of subsection H of
16 Section 1001 of this title and five percent (5%) pursuant to the
17 provisions of subsection E and subparagraphs d and e of paragraph 2
18 of subsection H of Section 1001 of this title:

- 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-two and one-
9 half percent (22.5%) shall be paid to the State
10 Treasurer to be placed in the Common Education
11 Technology Revolving Fund created in Section 34.90 of
12 Title 62 of the Oklahoma Statutes,

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

19 d. before any other apportionment of revenue has been
20 made pursuant to this paragraph, twenty-two and one-
21 half percent (22.5%) shall be paid to the State
22 Treasurer to be placed in the Oklahoma Student Aid
23 Revolving Fund created in Section 34.92 of Title 62 of
24 the Oklahoma Statutes,

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

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

(1) the following sources and in the following amounts through the fiscal year ending June 30, 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, twelve and one-half
22 percent (12.5%) of the sum collected from oil shall be
23 paid to the various county treasurers, to be credited
24 to the County Highway Fund as follows: Each county

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

5 h. before any other apportionment of revenue has been
6 made pursuant to this paragraph, twelve and one-half
7 percent (12.5%) shall be allocated to each county as
8 provided in subparagraph g of this paragraph and shall
9 be apportioned on an average daily attendance per
10 capita 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
24

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

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

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

21 9. For all monies collected from the tax levied on oil at a tax
22 rate of two percent (2%) or five percent (5%) pursuant to the
23 provisions of ~~subparagraph~~ subparagraphs c and d of paragraph 3 of
24 subsection B of Section 1001 of this title:

- 1 a. there shall be apportioned from the gross production
2 tax levy imposed pursuant to Section 1001 of this
3 title on oil to the Revenue Stabilization Fund created
4 by Section 34.102 of Title 62 of the Oklahoma
5 Statutes, the amount of revenue, if any, which exceeds
6 the moving five-year average amount for oil as defined
7 pursuant to paragraph 2 of subsection A of this
8 section,
- 9 b. until the apportionment to the General Revenue Fund
10 equals the moving five-year average amount for oil as
11 prescribed by paragraph 2 of subsection A of this
12 section, fifty percent (50%) shall be paid to the
13 State Treasurer to be placed in the General Revenue
14 Fund of the state and used for the general expense of
15 state government, to be paid out pursuant to direct
16 appropriation by the Legislature,
- 17 c. before any other apportionment of revenue has been
18 made pursuant to this paragraph, twenty-five percent
19 (25%) of the sum collected from oil shall be paid to
20 the various county treasurers, to be credited to the
21 County Highway Fund as follows: Each county shall
22 receive a proportionate share of the funds available
23 based upon the proportion of the total value of
24

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

3 d. before any other apportionment of revenue has been
4 made pursuant to this paragraph, twenty-five percent
5 (25%) shall be allocated to each county as provided 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.

15 C. Provided, notwithstanding any other provision of this
16 section, the total amounts deposited to the Common Education
17 Technology Revolving Fund, the Higher Education Capital Revolving
18 Fund, the Oklahoma Student Aid Revolving Fund, the Rural Economic
19 Action Plan Water Projects Fund, the Oklahoma Tourism and Recreation
20 Department Capital Expenditure Revolving Fund, the Oklahoma
21 Conservation Commission Infrastructure Revolving Fund and the
22 Community Water Infrastructure Development Revolving Fund pursuant
23 to paragraphs 6 and 7 of subsection B of this section shall not
24 exceed One Hundred Fifty Million Dollars (\$150,000,000.00) in any

1 fiscal year. Except as otherwise provided in this subsection, all
2 sums in excess of One Hundred Fifty Million Dollars
3 (\$150,000,000.00) in any fiscal year which would otherwise be
4 deposited in such funds shall be apportioned by the Oklahoma Tax
5 Commission to the General Revenue Fund of the state.

6 SECTION 4. The Ballot Title for the proposed act shall be in
7 the following form:

8 BALLOT TITLE

9 Legislative Referendum No. _____ State Question No. _____

10 THE GIST OF THE PROPOSITION IS AS FOLLOWS:

11 The measure modifies gross production tax rate incentives for
12 oil and gas production that currently reduce the gross
13 production tax rate on certain production below 7%. The
14 modification will require production that is currently being
15 taxed at reduced rates of 2% and 4%, to be taxed at 5%. The
16 measure also creates a 5% reduced rate applicable to 36 months
17 of production for new oil and gas wells where drilling commences
18 on or after the effective date of this measure, and the measure
19 provides for the apportionment of gross production taxes
20 collected at a 5% rate.

21 SHALL THE PROPOSAL BE APPROVED?

22 FOR THE PROPOSAL — YES _____

23 AGAINST THE PROPOSAL — NO _____

24

1 SECTION 5. The Chief Clerk of the House of Representatives,
2 immediately after the passage of this act, shall prepare and file
3 one copy thereof, including the Ballot Title set forth in SECTION 4
4 hereof, with the Secretary of State and one copy with the Attorney
5 General.

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7 56-1EX-50017 JM 09/23/17
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