

1 STATE OF OKLAHOMA

2 2nd Session of the 56th Legislature (2018)

3 HOUSE BILL 3040

By: Hardin

6 AS INTRODUCED

7 An Act relating to revenue and taxation; ordering a
8 legislative referendum pursuant to the Oklahoma
9 Constitution; amending 68 O.S. 2011, Section 1001, as
10 last amended by Section 1, Chapter 5, 1st
11 Extraordinary Session, O.S.L. 2017 (68 O.S. Supp.
12 2017, Section 1001), which relates to gross
13 production tax; limiting period where certain reduced
14 tax rate shall apply; amending 68 O.S. 2011, Section
15 1004, as last amended by Section 2, Chapter 355,
16 O.S.L. 2017 (68 O.S. Supp. 2017, Section 1004), which
17 relates to apportionment of gross production tax
18 collections; modifying apportionments; creating the
19 Teacher and State Employee Pay Fund; exempting funds
20 from fiscal year limitations; identifying funding
21 source; authorizing appropriation from fund for
22 certain purposes; providing ballot title; and
23 directing filing.
24

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

19 SECTION 1. Pursuant to Section 3 of Article V of the Oklahoma
20 Constitution, there is hereby ordered the following legislative
21 referendum which shall be filed with the Secretary of State, who
22 shall submit the same to the people for their approval or rejection
23 at the next General Election.
24

1 SECTION 2. AMENDATORY 68 O.S. 2011, Section 1001, as
2 last amended by Section 1, Chapter 5, 1st Extraordinary Session,
3 O.S.L. 2017 (68 O.S. Supp. 2017, Section 1001), is amended to read
4 as follows:

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

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

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

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

22 a. upon the production of oil a tax equal to seven
23 percent (7%) of the gross value of the production of
24 oil based on a per barrel measurement of forty-two

1 (42) U.S. gallons of two hundred thirty-one (231)
2 cubic inches per gallon, computed at a temperature of
3 sixty (60) degrees Fahrenheit,

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

7 c. notwithstanding the levies in subparagraphs a and b of
8 this paragraph, the production of oil, gas, or oil and
9 gas from wells spudded on or after July 1, 2015, and
10 prior to January 1, 2019, shall be taxed at a rate of
11 two percent (2%) commencing with the month of first
12 production for a period of thirty-six (36) months;
13 provided however, that the reduced rate provided by
14 this subparagraph shall not apply to production
15 occurring on or after January 1, 2019. Thereafter,
16 the production shall be taxed as provided in
17 subparagraphs a and b of this paragraph.

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

21 D. 1. Except as otherwise provided in this section, for
22 secondary recovery projects approved or having an initial project
23 beginning date on or after July 1, 2000, and before July 1, 2017,
24 any incremental production attributable to the working interest

1 owners which results from such secondary recovery projects shall be
2 exempt from the gross production tax levied pursuant to this section
3 for a period not to exceed five (5) years from the initial project
4 beginning date or for a period ending upon the termination of the
5 secondary recovery process, whichever occurs first; provided
6 however, that the exemption provided by this paragraph shall not
7 apply to production occurring on or after July 1, 2017.

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

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

4 4. For purposes of this subsection:

- 5 a. "incremental production" means the amount of crude oil
6 or other liquid hydrocarbons which is produced during
7 an enhanced recovery project and which is in excess of
8 the base production amount of crude oil or other
9 liquid hydrocarbons. The base production amount shall
10 be the average monthly amount of production for the
11 twelve-month period immediately prior to the project
12 beginning date minus the monthly rate of production
13 decline for the project for each month beginning one
14 hundred eighty (180) days prior to the project
15 beginning date. The monthly rate of production
16 decline shall be equal to the average extrapolated
17 monthly decline rate for the twelve-month period
18 immediately prior to the project beginning date as
19 determined by the Corporation Commission based on the
20 production history of the field, its current status,
21 and sound reservoir engineering principles, and
22 b. "project beginning date" means the date on which the
23 injection of liquids, gases, or other matter begins on
24 an enhanced recovery project.

1 5. The Corporation Commission shall promulgate rules for the
2 qualification for this exemption which shall include, but not be
3 limited to, procedures for determining incremental production as
4 defined in subparagraph a of paragraph 4 of this subsection, and the
5 establishment of appropriate payback indicators as approved by the
6 Tax Commission for the determination of project payback for each of
7 the exemptions authorized by this subsection.

8 6. For new secondary recovery projects and tertiary recovery
9 projects approved by the Corporation Commission on or after July 1,
10 1993, and before July 1, 2017, such approval shall constitute
11 qualification for an exemption.

12 7. Any person seeking an exemption shall file an application
13 for such exemption with the Tax Commission which, upon determination
14 of qualification by the Corporation Commission, shall approve the
15 application for such exemption.

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

19 9. Upon the expiration of the exemption granted pursuant to
20 this subsection, the Tax Commission shall collect the gross
21 production tax levied pursuant to this section.

22 E. 1. Except as otherwise provided in this section, the
23 production of oil, gas or oil and gas from a horizontally drilled
24 well producing prior to July 1, 2011, which production commenced

1 after July 1, 2002, shall be exempt from the gross production tax
2 levied pursuant to subsection B of this section from the project
3 beginning date until project payback is achieved but not to exceed a
4 period of forty-eight (48) months commencing with the month of
5 initial production from the horizontally drilled well. For purposes
6 of subsection D of this section and this subsection, project payback
7 shall be determined as of the date of the completion of the well and
8 shall not include any expenses beyond the completion date of the
9 well, and subject to the approval of the Tax Commission.

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

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

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

5 4. The production of oil, gas or oil and gas on or after July
6 1, 2011, and prior to July 1, 2015, from these qualifying wells
7 shall be taxed at a rate of one percent (1%) until the expiration of
8 forty-eight (48) months commencing with the month of initial
9 production.

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

16 F. 1. Except as otherwise provided by this section, the
17 severance or production of oil, gas or oil and gas from an inactive
18 well shall be exempt from the gross production tax levied pursuant
19 to subsection B of this section for a period of twenty-eight (28)
20 months from the date upon which production is reestablished;
21 provided however, that the exemption provided by this paragraph
22 shall not apply to production occurring on or after July 1, 2017.
23 This exemption shall take effect July 1, 1994, and shall apply to
24 wells for which work to reestablish or enhance production began on

1 or after July 1, 1994, and for which production is reestablished
2 prior to July 1, 2017. For all such production, a refund against
3 gross production taxes shall be issued as provided in subsection L
4 of this section.

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

21 G. 1. Except as otherwise provided by this section, any
22 incremental production which results from a production enhancement
23 project shall be exempt from the gross production tax levied
24 pursuant to subsection B of this section for a period of twenty-

1 eight (28) months from the date of first sale after project
2 completion of the production enhancement project; provided however,
3 that the exemption provided by this paragraph shall not apply to
4 production occurring on or after July 1, 2017. This exemption shall
5 take effect July 1, 1994, and shall apply to production enhancement
6 projects having a project beginning date on or after July 1, 1994,
7 and prior to July 1, 2017. For all such production, a refund
8 against gross production taxes shall be issued as provided in
9 subsection L of this section.

10 2. As used in this subsection:

- 11 a. for production enhancement projects having a project
12 beginning date on or after July 1, 1997, and prior to
13 July 1, 2017, "production enhancement project" means
14 any workover as defined in this paragraph,
15 recompletion as defined in this paragraph, reentry of
16 plugged and abandoned wellbores, or addition of a well
17 or field compression,
- 18 b. "incremental production" means the amount of crude
19 oil, natural gas or other hydrocarbons which are
20 produced as a result of the production enhancement
21 project in excess of the base production,
- 22 c. "base production" means the average monthly amount of
23 production for the twelve-month period immediately
24 prior to the commencement of the project or the

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

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

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

- 10 (1) acidizing,
- 11 (2) reperforating,
- 12 (3) fracture treating,
- 13 (4) sand/paraffin/scale removal or other wellbore
14 cleanouts,
- 15 (5) casing repair,
- 16 (6) squeeze cementing,
- 17 (7) installation of compression on a well or group of
18 wells or initial installation of artificial lifts
19 on gas wells, including plunger lifts, rod pumps,
20 submersible pumps and coiled tubing velocity
21 strings,
- 22 (8) downsizing existing tubing to reduce well
23 loading,
- 24 (9) downhole commingling,

- 1 (10) bacteria treatments,
2 (11) upgrading the size of pumping unit equipment,
3 (12) setting bridge plugs to isolate water production
4 zones, or
5 (13) any combination thereof.

6 "Workover" shall not mean the routine maintenance,
7 routine repair, or like for like replacement of
8 downhole equipment such as rods, pumps, tubing,
9 packers, or other mechanical devices.

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

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

- 15 a. the production of oil, gas or oil and gas from wells
16 spudded between July 1, 1997, and July 1, 2005, and
17 drilled to a depth of twelve thousand five hundred
18 (12,500) feet or greater and wells spudded between
19 July 1, 2005, and July 1, 2015, and drilled to a depth
20 between twelve thousand five hundred (12,500) feet and
21 fourteen thousand nine hundred ninety-nine (14,999)
22 feet shall be exempt from the gross production tax
23 levied pursuant to subsection B of this section from
24 the date of first sales for a period of twenty-eight

1 (28) months; provided however, that the exemption
2 provided by this subparagraph shall not apply to
3 production occurring on or after July 1, 2017,

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

14 c. the production of oil, gas or oil and gas from wells
15 spudded between July 1, 2002, and July 1, 2011, and
16 drilled to a depth of seventeen thousand five hundred
17 (17,500) feet or greater shall be exempt from the
18 gross production tax levied pursuant to subsection B
19 of this section from the date of first sales for a
20 period of sixty (60) months,

21 d. the tax levied pursuant to the provisions of this
22 section on the production of oil, gas or oil and gas
23 from wells spudded between July 1, 2011, and July 1,
24 2015, and drilled to a depth between fifteen thousand

(15,000) feet and seventeen thousand four hundred ninety-nine (17,499) feet shall be reduced to a rate of four percent (4%) for a period of forty-eight (48) months from the date of first sales; provided, the reduced rate provided by this subparagraph shall not apply to production occurring during or after the first full month following the effective date of this act. The taxes collected from the production of oil shall be apportioned pursuant to the provisions of paragraph 7 of subsection B of Section 1004 of this title. The taxes collected from the production of gas shall be apportioned pursuant to the provisions of paragraph 3 of subsection B of Section 1004 of this title,

- e. the tax levied pursuant to the provisions of this section on the production of oil, gas or oil and gas from wells spudded between July 1, 2011, and July 1, 2015, and drilled to a depth of seventeen thousand five hundred (17,500) feet or greater shall be reduced to a rate of four percent (4%) for a period of sixty (60) months from the date of first sales; provided however, the reduced rate provided by this subparagraph shall not apply to production occurring during or after the first full month following the

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

8 f. the provisions of subparagraphs b and c of this
9 paragraph shall only apply to the production of wells
10 qualifying for the exemption provided under these
11 subparagraphs prior to July 1, 2011. The production
12 of oil, gas or oil and gas on or after July 1, 2011,
13 and before July 1, 2015, from wells qualifying under
14 subparagraph b of this paragraph shall be taxed at a
15 rate of four percent (4%) until the expiration of
16 forty-eight (48) months from the date of first sales
17 and the production of oil, gas or oil and gas on or
18 after July 1, 2011, and before July 1, 2015, from
19 wells qualifying under subparagraph c of this
20 paragraph shall be taxed at a rate of four percent
21 (4%) until the expiration of sixty (60) months from
22 the date of first sales.
23
24

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

19 3. Any person seeking an exemption shall:

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

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

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

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

16 O. 1. Prior to July 1, 2015, persons shall only be entitled to
17 either the exemption granted pursuant to subsection D of this
18 section or the exemption granted pursuant to subsection E, F, G, H,
19 I or J of this section for each oil, gas or oil and gas well drilled
20 or recompleted in this state. However, any person who qualifies for
21 the exemption granted pursuant to subsection E, F, G, H, I or J of
22 this section shall not be prohibited from qualification for the
23 exemption granted pursuant to subsection D of this section, if the
24

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

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

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

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

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

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

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

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

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

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

21 SECTION 3. AMENDATORY 68 O.S. 2011, Section 1004, as
22 last amended by Section 2, Chapter 355, O.S.L. 2017 (68 O.S. Supp.
23 2017, Section 1004), is amended to read as follows:

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

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

7 2. "Moving five-year average amount for oil" means, for
8 purposes of the apportionments prescribed by this section, the
9 amount of gross production tax on oil collected for each of the five
10 (5) complete fiscal years, as computed by the State Board of
11 Equalization pursuant to Section 34.103 of Title 62 of the Oklahoma
12 Statutes.

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

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

18 a. eighty-five and seventy-two one-hundredths percent
19 (85.72%) shall be paid to the State Treasurer of the
20 state to be placed in the General Revenue Fund of the
21 state and used for the general expense of state
22 government, to be paid out pursuant to direct
23 appropriation by the Legislature,

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

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

22 2. ~~For~~ Except as provided in subsection D of this section, all
23 monies collected from the tax levied on natural gas and/or
24

1 casinghead gas at a tax rate of seven percent (7%) pursuant to the
2 provisions of subsection B of Section 1001 of this title:

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

16 b. until the apportionment to the General Revenue Fund
17 equals the moving five-year average amount for gas as
18 prescribed by paragraph 1 of subsection A of this
19 section, eighty-five and seventy-two one-hundredths
20 percent (85.72%) shall be paid to the State Treasurer
21 of the state to be placed in the General Revenue Fund
22 of the state and used for the general expense of state
23 government, to be paid out pursuant to direct
24 appropriation by the Legislature,

- 1 c. before any other apportionment of revenue has been
2 made pursuant to this paragraph, seven and fourteen
3 one-hundredths percent (7.14%) of the sum collected
4 from natural gas and/or casinghead gas shall be paid
5 to the various county treasurers to be credited to the
6 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 d. before any other apportionment of revenue has been
12 made pursuant to this paragraph, seven and fourteen
13 one-hundredths percent (7.14%) shall be allocated to
14 each county as provided for in subparagraph c of this
15 paragraph and shall be apportioned, on an average
16 daily attendance per capita distribution basis, as
17 certified by the State Superintendent of Public
18 Instruction to the school districts of the county
19 where such pupils attend school regardless of
20 residence of such pupil, provided the school district
21 makes an ad valorem tax levy of fifteen (15) mills for
22 the current year and maintains twelve (12) years of
23 instruction;
- 24

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

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

17 b. until the apportionment to the General Revenue Fund
18 equals the moving five-year average amount for gas as
19 prescribed by paragraph 1 of subsection A of this
20 section, seventy-five percent (75%) shall be paid to
21 the State Treasurer of the state to be placed in the
22 General Revenue Fund of the state and used for the
23 general expense of state government, to be paid out
24 pursuant to direct appropriation by the Legislature,

1 c. before any other apportionment of revenue has been
2 made pursuant to this paragraph, twelve and one-half
3 percent (12.5%) of the sum collected from natural gas
4 and/or casinghead gas shall be paid to the various
5 county treasurers to be credited to the County Highway
6 Fund as follows: Each county shall receive a
7 proportionate share of the funds available based upon
8 the proportion of the total value of production from
9 such county in the corresponding month of the
10 preceding year, and

11 d. before any other apportionment of revenue has been
12 made pursuant to this paragraph, twelve and one-half
13 percent (12.5%) shall be allocated to each county as
14 provided for in subparagraph c of this paragraph and
15 shall be apportioned, on an average daily attendance
16 per capita distribution basis, as certified by the
17 State Superintendent of Public Instruction to the
18 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 4. For all monies collected from the tax levied on natural gas
2 and/or casinghead gas at a tax rate of one percent (1%) pursuant to
3 the provisions of subsection B of Section 1001 of this title:

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

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

22 5. For all monies collected from the tax levied on natural gas
23 and/or casinghead gas at a tax rate of two percent (2%) pursuant to
24

1 the provisions of subparagraph c of paragraph 3 of subsection B of
2 Section 1001 of this title:

- 3 a. after the total revenue apportioned to the General
4 Revenue Fund as prescribed by subparagraph b of this
5 paragraph equals the moving five-year average amount
6 for gas as defined by paragraph 1 of subsection A of
7 this section, there shall be apportioned from the
8 gross production tax levy imposed pursuant to Section
9 1001 of this title on gas to the Revenue Stabilization
10 Fund created by Section 34.102 of Title 62 of the
11 Oklahoma Statutes, the amount of revenue, if any,
12 which exceeds the moving five-year average amount for
13 natural gas and/or casinghead gas as defined pursuant
14 to paragraph 1 of subsection A of this section,
- 15 b. until the apportionment to the General Revenue Fund
16 equals the moving five-year average amount for gas as
17 prescribed by paragraph 1 of subsection A of this
18 section, fifty percent (50%) shall be paid to the
19 State Treasurer to be placed in the General Revenue
20 Fund of the state and used for the general expense of
21 state government, to be paid out pursuant to direct
22 appropriation by the Legislature,
- 23 c. before any other apportionment of revenue has been
24 made pursuant to this paragraph, twenty-five percent

(25%) of the sum collected from natural gas and/or casinghead gas shall be paid to the various county treasurers to be credited to the County Highway Fund as follows: Each county shall receive a proportionate share of the funds available based upon the proportion of the total value of production from such county in the corresponding month of the preceding year, and

d. before any other apportionment of revenue has been made pursuant to this paragraph, twenty-five percent (25%) shall be allocated to each county as provided for in subparagraph c 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;

6. ~~For~~ Except as provided in subsection D of this section, all monies collected from the tax levied on oil at a tax rate of seven percent (7%) pursuant to the provisions of 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, after the applicable maximum amount
6 prescribed by subsection C of this section has been
7 deposited to the funds therein specified, the amount
8 of revenue, if any, which would otherwise be
9 apportioned to the General Revenue Fund and which
10 exceeds the moving five-year average amount for oil as
11 defined pursuant to paragraph 2 of subsection A of
12 this section,
- 13 b. before any other apportionment of revenue has been
14 made pursuant to this paragraph, twenty-five and
15 seventy-two one-hundredths percent (25.72%) shall be
16 paid to the State Treasurer to be placed in the Common
17 Education Technology Revolving Fund created in Section
18 34.90 of Title 62 of the Oklahoma Statutes,
- 19 c. 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 Higher
23 Education Capital Revolving Fund created in Section
24 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 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, four and twenty-eight one-hundredths percent (4.28%) 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:

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

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

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

(2) the Oklahoma Water Resources Board Rural Economic Action Plan Water Projects Fund for the fiscal

1 year beginning July 1, 2019, and for each fiscal
2 year thereafter,

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

12 h. before any other apportionment of revenue has been
13 made pursuant to this paragraph, seven and fourteen
14 one-hundredths percent (7.14%) shall be allocated to
15 each county as provided in subparagraph g of this
16 paragraph and shall be apportioned, on an average
17 daily attendance per capita distribution basis, as
18 certified by the State Superintendent of Public
19 Instruction, to the school districts of the county
20 where such pupils attend school regardless of
21 residence of such pupil, provided the school district
22 makes an ad valorem tax levy of fifteen (15) mills for
23 the current year and maintains twelve (12) years of
24 instruction, and

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

8 7. For all monies collected from the tax levied on oil at a tax
9 rate of four percent (4%) pursuant to the provisions of subsections
10 B and E 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-two and one-

1 half percent (22.5%) shall be paid to the State
2 Treasurer to be placed in the Common Education
3 Technology Revolving Fund created in Section 34.90 of
4 Title 62 of the Oklahoma Statutes,

5 c. before any other apportionment of revenue has been
6 made pursuant to this paragraph, twenty-two and one-
7 half percent (22.5%) shall be paid to the State
8 Treasurer to be placed in the Higher Education Capital
9 Revolving Fund created in Section 34.91 of Title 62 of
10 the Oklahoma Statutes,

11 d. before any other apportionment of revenue has been
12 made pursuant to this paragraph, twenty-two and one-
13 half percent (22.5%) shall be paid to the State
14 Treasurer to be placed in the Oklahoma Student Aid
15 Revolving Fund created in Section 34.92 of Title 62 of
16 the Oklahoma Statutes,

17 e. before any other apportionment of revenue has been
18 made pursuant to this paragraph, three and twenty-
19 eight one-hundredths percent (3.28%) shall be
20 distributed to the various counties of the state for
21 deposit into the County Bridge and Road Improvement
22 Fund of each county based on a formula developed by
23 the Department of Transportation and approved by the
24 Department of Transportation County Advisory Board

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

10 f. before any other apportionment of revenue has been
11 made pursuant to this paragraph, three and seventy-
12 five one-hundredths percent (3.75%) shall be paid to
13 the 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, twelve and one-half
14 percent (12.5%) of the sum collected from oil shall be
15 paid to the various county treasurers, to be credited
16 to the County Highway Fund as follows: Each county
17 shall receive a proportionate share of the funds
18 available based upon the proportion of the total value
19 of production from such county in the corresponding
20 month of the preceding year,

21 h. 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 in subparagraph g of this paragraph and shall

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

- 9 i. before any other apportionment of revenue has been
10 made pursuant to this paragraph, forty-seven one-
11 hundredths percent (0.47%) of the levy shall be
12 transmitted by the Tax Commission to the Statewide
13 Circuit Engineering District Revolving Fund as created
14 in Section 687.2 of Title 69 of the Oklahoma Statutes;

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

- 18 a. fifty percent (50%) of the sum collected shall be paid
19 to the various county treasurers, to be credited to
20 the 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 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 9. For all monies collected from the tax levied on oil at a tax
12 rate of two percent (2%) pursuant to the provisions of subparagraph
13 c of paragraph 3 of subsection B of Section 1001 of this title:

14 a. there shall be apportioned from the gross production
15 tax levy imposed pursuant to Section 1001 of this
16 title on oil to the Revenue Stabilization Fund created
17 by Section 34.102 of Title 62 of the Oklahoma
18 Statutes, the amount of revenue, if any, which exceeds
19 the moving five-year average amount for oil as defined
20 pursuant to paragraph 2 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 oil as
24 prescribed by paragraph 2 of subsection A of this

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

6 c. before any other apportionment of revenue has been
7 made pursuant to this paragraph, twenty-five percent
8 (25%) of the sum collected from oil shall be paid to
9 the various county treasurers, to be credited to the
10 County Highway Fund as follows: Each county shall
11 receive a proportionate share of the funds available
12 based upon the proportion of the total value of
13 production from such county in the corresponding month
14 of the preceding year, and

15 d. before any other apportionment of revenue has been
16 made pursuant to this paragraph, twenty-five percent
17 (25%) shall be allocated to each county as provided in
18 subparagraph c of this paragraph and shall be
19 apportioned on an average daily attendance per capita
20 distribution basis, as certified by the State
21 Superintendent of Public Instruction, to the school
22 districts of the county where such pupils attend
23 school regardless of residence of such pupil, provided
24 the school district makes an ad valorem tax levy of

1 fifteen (15) mills for the current year and maintains
2 twelve (12) years of instruction.

3 C. Provided, notwithstanding any other provision of this
4 section, the total amounts deposited to the Common Education
5 Technology Revolving Fund, the Higher Education Capital Revolving
6 Fund, the Oklahoma Student Aid Revolving Fund, the Rural Economic
7 Action Plan Water Projects Fund, the Oklahoma Tourism and Recreation
8 Department Capital Expenditure Revolving Fund, the Oklahoma
9 Conservation Commission Infrastructure Revolving Fund and the
10 Community Water Infrastructure Development Revolving Fund pursuant
11 to paragraphs 6 and 7 of subsection B of this section shall not
12 exceed One Hundred Fifty Million Dollars (\$150,000,000.00) in any
13 fiscal year. Except as otherwise provided in this subsection, all
14 sums in excess of One Hundred Fifty Million Dollars
15 (\$150,000,000.00) in any fiscal year which would otherwise be
16 deposited in such funds shall be apportioned by the Oklahoma Tax
17 Commission to the General Revenue Fund of the state.

18 D. 1. Gross production taxes collected from oil and gas wells:

19 a. producing on or after December 31, 2016, and prior to
20 January 1, 2019, which would otherwise be apportioned
21 pursuant to paragraphs 2 and 6 of subsection B of this
22 section shall be apportioned for the thirty-six-month
23 period beginning January 1, 2019, as provided in
24 paragraph 2 of this subsection, and

1 b. placed in production on or after January 1, 2019,
2 which would otherwise be apportioned pursuant to
3 paragraphs 2 and 6 of subsection B of this section
4 shall be apportioned commencing with the month of
5 first production for a thirty-six-month period as
6 provided in paragraph 2 of this subsection.

7 2. a. Seventy-one and forty-three-hundredths percent
8 (71.43%) of the sum collected shall be placed in the
9 Teacher and State Employee Pay Fund created in Section
10 4 of this act, and

11 b. Twenty-eight and fifty-seven-hundredths percent
12 (28.57%) of the sum collected:

13 (1) from natural gas and/or casinghead gas shall be
14 apportioned pursuant to paragraph 5 of subsection
15 B of this section, and

16 (2) from oil shall be apportioned pursuant to
17 paragraph 9 of subsection B of this section.

18 SECTION 4. NEW LAW A new section of law to be codified
19 in the Oklahoma Statutes as Section 1004B of Title 68, unless there
20 is created a duplication in numbering, reads as follows:

21 There is hereby created in the State Treasury a fund to be
22 designated the "Teacher and State Employee Pay Fund". The fund
23 shall be a continuing fund, not subject to fiscal year limitations,
24 and shall consist of monies received pursuant to Section 1004 of

1 Title 68 of the Oklahoma Statutes and any monies designated to the
2 fund by law. All monies accruing to the credit of the fund shall be
3 appropriated at the discretion of the Legislature for the purpose of
4 addressing the salary and compensation of teachers and state
5 employees.

6 SECTION 5. 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 makes the 2% incentive tax rate for gross production
12 no longer applicable effective January 1, 2019. The measure
13 modifies the apportionment of gross production tax collections,
14 providing that 71.43% of collections from certain wells for a
15 certain period goes to the Teacher and State Employee Pay Fund.
16 The Teacher and State Employee Pay Fund is created by the
17 measure and is a fund the Legislature shall use for the purpose
18 of addressing the salary and compensation of teachers and state
19 employees.

20 SHALL THE PROPOSAL BE APPROVED?

21 FOR THE PROPOSAL — YES _____

22 AGAINST THE PROPOSAL — NO _____

23 SECTION 6. The Chief Clerk of the House of Representatives,
24 immediately after the passage of this act, shall prepare and file

1 one copy thereof, including the Ballot Title set forth in SECTION 4
2 hereof, with the Secretary of State and one copy with the Attorney
3 General.

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