

**BILL SUMMARY**  
2<sup>nd</sup> Session of the 56<sup>th</sup> Legislature

|                              |                                 |
|------------------------------|---------------------------------|
| <b>Bill No.:</b>             | <b>HB1033XX</b>                 |
| <b>Version:</b>              | <b>Introduced</b>               |
| <b>Request Number:</b>       | <b>50342</b>                    |
| <b>Author:</b>               | <b>Rep. Wallace/ Sen. David</b> |
| <b>Date:</b>                 | <b>2/7/2018</b>                 |
| <b>Impact: Total Revenue</b> | <b>FY-18 \$20,373,000</b>       |
|                              | <b>FY-19 \$581,445,000</b>      |

**Research Analysis**

HB1033XX, as introduced, creates and modifies numerous state taxes.

The measure establishes an additional tax on cigarettes equal to \$.075 per cigarette. For a standard package of 20 cigarettes, the tax amounts to \$1.50 per pack. The measure also makes little cigars taxed at the same rate as cigarettes and establishes a 10 percent tax on chewing tobacco, smokeless tobacco and snuff. The resulting revenue from the new tax on cigarettes and chewing tobacco collected prior to July 1, 2019 will go to the General Revenue Fund. Revenue collected beginning July 1, 2019 will go to the newly created State Health Care Enhancement Fund, which will be appropriated by the Legislature for the purpose of enhancing the health of Oklahomans.

The measure also establishes an additional 6 cent per gallon tax on gasoline and diesel fuel. The resulting revenue from the new tax on motor fuels collected prior to July 1, 2019 will go to the General Revenue Fund. Revenue collected beginning July 1, 2019 will go to the Rebuilding Oklahoma Access and Driver Safety Fund.

The measure also makes all production from new wells spudded on or after the effective date of the act taxed at 4 percent for the first 36 months including any incremental production which results from a production enhancement project. Production from a well currently taxed at the reduced 2 percent rate will also be transitioned to the 4 percent rate for the remainder the well's 36 month period.

Finally, the measure creates the Oklahoma Zero-Emission Facility Energy Tax Act of 2018 which establishes a generation tax equal to \$1 per megawatt hour for electricity produced by a commercial wind turbine or zero-emission facility. Revenue from the electricity generation tax will go to the General Revenue Fund.

Prepared By: Quyen Do

**Fiscal Analysis**

Sections 2-4 of the measure levy and provide administration directive for an additional 75 mill/cigarette tax on cigarettes. Revenue from the levy will be apportioned to the General Revenue Fund through FY-19, beginning FY-20 and thereafter such revenue will be apportioned to the State Health Care Enhancement Fund, which the Legislature shall appropriate for the purpose of enhancing the health of Oklahomans. The Tax Commission revenue estimate for the cigarette tax provided in this measure is as follows:

|       |              |
|-------|--------------|
| FY-18 | \$20,234,000 |
|-------|--------------|

FY-19 \$243,125,000

Sections 5-7 and 21 of the measure convert the taxation of little cigars to mirror the taxation of cigarettes. Previously little cigars were subject to specific little cigar tax levies. The Tax Commission revenue estimate for the conversion provided in this measure is as follows:

FY-18 \$139,000  
FY-19 \$1,665,000

Section 8 of the measure levies an additional 10% tax upon the factory list prices of chewing tobacco, smokeless tobacco, and snuff. Revenue from the levy will be apportioned to the General Revenue Fund through FY-19, beginning FY-20 and thereafter such revenue will be apportioned to the State Health Care Enhancement Fund, which the Legislature shall appropriate for the purpose of enhancing the health of Oklahomans. The Tax Commission revenue estimate for the tobacco products tax provided in this measure is as follows:

FY-18 \$0  
FY-19 \$11,200,000

Sections 9 and 10 of the measure levy an additional 6 cent per gallon tax on gasoline and diesel fuel. Revenue from the levy will be apportioned to the General Revenue Fund through FY-19, beginning FY-20 and thereafter such revenue will be apportioned to the Rebuilding Oklahoma Access and Driver Safety (ROADS) Fund. Section 10 provides that the existing Motor Fuels Tax exemptions will also apply to the new tax levy. The Tax Commission revenue estimate for the gasoline and diesel fuel tax provided in this measure is as follows:

FY-18 \$0  
FY-19 \$172,090,000

Sections 11 and 12 of the measure increase from 2% to 4% the gross production tax on production occurring in the first 36 months from an oil, gas or oil and gas well. The increase applies to all production, occurring after the effective date of this act, subject to the 36 month rate. The measure also provides a 4% incentive rate for 36 months for recompleted and reestablished wells, and clarifies the apportionment scheduled applicable to the incentive rate. The Tax Commission revenue estimate for the gross production tax rate modifications provided in this measure is as follows:

FY-18 \$0  
FY-19 \$133,365,000

Sections 13-20 of the measure create the Oklahoma Zero-Emission Facility Energy Tax Act and provide administrative directive. The Act levies a tax of \$1 per megawatt hour on the production of electricity by commercial wind turbines and other zero-emission facilities. Revenue from the levy will be apportioned to the General Revenue Fund. The Tax Commission revenue estimate for the zero-emission facility energy tax provided in this measure is as follows

FY-18 \$0  
FY-19 \$20,000,000

Total Revenue generated under HB 1033XX:

FY-18 \$20,373,000  
FY-19 \$581,445,000

Prepared By: John McPhetridge

## **Other Considerations**

None.

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