

**BILL SUMMARY**  
1<sup>st</sup> Session of the 56<sup>th</sup> Legislature

<b>Bill No.:</b>	<b>HB 2365</b>
<b>Version:</b>	<b>CS</b>
<b>Request Number:</b>	<b>7788</b>
<b>Author:</b>	<b>Rep. Leslie Osborn</b>
<b>Date:</b>	<b>5/2/2017</b>
<b>Impact:</b>	<b>Tax Commission:</b>

**Estimated Net Revenue Gain of  
\$185.0 to \$215.0 Million (Cigarette)**

**Estimated Net Revenue Gain of  
\$125.1 Million (Fuels)**

**Net Positive Revenue  
(See Table Below)**

**Research Analysis**

HB2365 establishes a new cigarette tax equal to \$.075 per cigarette. For a standard package of 20 cigarettes, the tax amounts to \$1.50 per pack. The measure also creates several new funds that would be the beneficiary of the new revenue resulting from the additional cigarette tax for the 10 month period between September 1, 2017 and June, 30, 2018.

- 50 percent to the Health Care Authority Enhancement Fund;
- 23 percent to the Mental Health and Substance Abuse Services Enhancement Fund;
- 14.5 percent to the Human Services Enhancement Fund;
- 5.4 percent to the Oklahoma State University Medical Authority Enhancement Fund;
- 2.7 percent to the Health Department Enhancement Fund

After July 1, 2018, 100 percent of revenue from the additional cigarette tax would go to the Health Care Enhancement Fund.

The measure also creates a new tax on gasoline and diesel fuel equal to \$.06 per gallon. Revenue from the additional gasoline and diesel fuel tax would go the Rebuilding Oklahoma Access and Driver Safety (ROADS) Fund.

Furthermore, the measure moves up the sunset date for several oil gross production tax incentives to September 1, 2017. The affected incentives relate to:

- incremental production from secondary recovery projects;
- incremental production from tertiary recovery projects;
- reestablished production from an inactive well;
- production from a production enhancement projects;
- production from deep wells with a depth between 12,500 and 14,999 feet;
- production from new discovery wells;
- production using 3-D seismic technology. and
- production from an economically at-risk oil and gas lease.

For calendar year 2017, the rebates allowed for production of an economically at risk oil and gas lease is capped at \$8.333 million.

Prepared By: Quyen Do

### **Fiscal Analysis**

The measure modifies certain tax provisions by increasing the cigarette excise tax rate by \$1.50 per twenty cigarette pack equivalent, increase the gasoline and diesel fuel excise tax rate by \$0.06 each and eliminates gross production tax incentives through rebates for certain production resulting from:

Incremental production from secondary recovery projects;  
Incremental production from tertiary recovery projects;  
Production from re-establishment of an inactive well;  
Incremental production for a production enhancement project  
Production from a qualifying new discovery;  
Production resulting from a three-dimensional seismic shoot

Tax Commission analysis indicates a net positive revenue gain of \$215.0 million, while other estimates from healthcare related organizations place the net gain at approximately \$185.0 million.

Previously submitted figures from the Tax Commission:

Tax Commission Revenue Impact Analysis Table			
Bill Number	Req. No.		FY18 Impact
HB 2348	7745	Standard Deduction at 2017 Levels & Filing Requirement Conformity	\$4,400,000
HB 2352	7751	Qualified Rehabilitation Credit Cap	\$0
HB 2357	7720	Increase Reinstatement Fee	\$775,000
HB 2358	7699	Eligible Purchaser Discount Sunset	\$0
HB 2359	7701	Coin Op	\$1,758,000
HB 2360	7728	Mixed Beverage Rate For Low Point Beer	\$22,699,000 - 11 months
HB 2361	7732	Professional Sports Ticket Fee	\$2,660,000 - 11 months
HB 2362	7753	Motor Vehicle Trailers - Non Commercial Trailer Registration	\$4,375,000
HB 2363	7725	Motor Vehicle Excise Tax - Rental Exemption	Motor Vehicle Excise \$5,869,000
HB 2365	7746	Cigarettes, Motor Fuel Rate and GP (Big Bill)	Cigarettes \$215,000,000 - 10 months Motor Fuel (gas) \$90,000,000 - 9 months Motor Fuel (diesel) \$35,100,000 - 9 months Gross Production \$0
HB 2366	7737	Capital Gain Holding Period	Unknown
HB 2367	7738	Sales Tax Vendor Discount	\$14,100,000
HB 2368	7743	EITC 50% Refundable	-\$14,400,000
HB 2369	7740	Corporate Income Tax Combined Reporting	\$0
HB 2370	7764	Big Cigars / Little Cigars	Big Cigars \$3,850,000 - 11 months Little Cigars \$300,000 - 11 months
HB 2393	7733	Wire Transmitter Fee Amendment	Unknown Increase

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### **Other Considerations**

None.

