

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

<b>Bill No.:</b>	<b>SB 475</b>
<b>Version:</b>	<b>ENGR</b>
<b>Request Number:</b>	<b>NA</b>
<b>Author:</b>	<b>Mr. Speaker</b>
<b>Date:</b>	<b>4/3/2017</b>
<b>Impact:</b>	<b>Tax Commission:</b> <b>Unknown Revenue Impact</b>

**Research Analysis**

Engrossed SB475 provides that the well or wells from which any oil was received is to be considered the actual source of any oil recovered at a salt water disposal, salt water recycling or oil recovery reclaiming facility. The measure requires facility owners to:

- determine the source of any oil that is recovered by the facility;
- file a monthly report with Oklahoma Tax Commission;
- provide a copy of the report to the operators of the well or wells from which the recovered oil was sourced; and
- pay applicable gross production taxes for oil that is recovered, saved and sold by a facility.

The measure also removes the requirement for facility operators to pay a 12.5 percent fees on the amount of oil recovered in excess of 2 percent of the volume of water handled.

Prepared By: Quyen Do

**Fiscal Analysis**

From the Tax Commission:

SB 475 proposes to require operators of salt water disposal facilities, salt water recycling facilities, or oil recovery reclaiming facilities to file a report with the Tax Commission and pay the applicable production taxes upon oil recovered which is saved or sold from such facilities. The proposed report would reflect the volume of oil recovered, the amount saved and sold, the gross proceeds received from such sale, and an allocation of such oil identifying each source facility. A copy of the proposed report would be provided to each operator of the well(s) to which the oil was deemed to have been produced. The production and proceeds allocated to each producing well pursuant to this subsection shall be considered production and proceeds from the well(s) and be subject to the Production Revenue Standards Act.

As provided for in 68 O.S. § 1009, and Oklahoma Tax Commission Rule 710:45-15-4, 5 and 6, operators of salt water disposal facilities and reclaiming facilities are currently required to report and remit applicable gross production taxes on the sale of such oil referenced in SB 0475.

Therefore, there would be no additional revenue collected pursuant SB 475. However, striking the portion of O.S. 68 § 1003 (C), that levies the twelve and one-half percent (12 ½%) fee on oil recovered from salt water disposal facilities that is in excess of two percent (2%) of the volume of water handled could result in a loss of revenue.

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**Other Considerations**

None.

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