

OKLAHOMA TAX COMMISSION

FISCAL IMPACT STATEMENT AND/OR ADMINISTRATIVE IMPACT STATEMENT SECOND REGULAR SESSION, FIFTY-SIXTH OKLAHOMA LEGISLATURE

DATE OF IMPACT STATEMENT: February 15, 2018

BILL NUMBER: SB 1397 **STATUS AND DATE OF BILL:** Introduced 1/18/18

AUTHORS: House n/a Senate Bergstrom

TAX TYPE (S): Ad Valorem **SUBJECT:** Exemption

PROPOSAL: Amendatory

SB 1397 proposes an amendment to Section 1001 of Title 68 of the Oklahoma Statutes by removing the gross production in lieu treatment for property, equipment, machinery, tools or material used in and around any well producing oil or gas, or in the disposal of waste materials.

EFFECTIVE DATE: January 1, 2019

REVENUE IMPACT:

Insert dollar amount (plus or minus) of the expected change in state revenues due to this proposed legislation.

FY 19: None (See attached analysis)

ADMINISTRATIVE IMPACT:

Insert the estimated cost or savings to the Tax Commission due to this proposed legislation.

FY 19: Minimal

Feb. 18, 2018
DATE

Rick Miller
DIVISION DIRECTOR

mjh

2-17-18
DATE

Reece Womack
REECE WOMACK, ECONOMIST

2-17-18
DATE

Jim Murt
FOR THE COMMISSION

ATTACHMENT TO FISCAL IMPACT – SB 1397-[Introduced] – Prepared 02/15/2018

SB 1397 proposes an amendment to Section 1001 of Title 68 of the Oklahoma Statutes by removing the gross production in lieu treatment for property, equipment, machinery, tools or material used in and around any well producing oil or gas, or in the disposal of waste materials.

Oklahoma Corporation Commission information indicates that there are 193,000 active oil and gas wells in Oklahoma

A county contractor whose primary function and expertise is in the appraisal of oil and gas property provides estimates of the types of oil and gas production property with associated values currently exempted from ad valorem taxation pursuant to the gross production in lieu provision.

Outlined below are the types of machinery and equipment commonly utilized at an oil and gas well along with their corresponding estimated average values:

- Downhole assets (piping, casing, other downhole equipment) – \$25,000
- Above ground assets (compression, separators, heater exchanges, and other equipment) - \$25,000

Multiplying the average well personal property valuation of \$50,000 by the 193,000 active wells results in a personal property valuation of \$9,650,000,000. Application of the statewide averages for the personal property assessment percentage and local mill levies yields additional estimated property tax revenues of \$119,445,499 for FY 20. There is no impact to state revenues associated with this proposal.