

# OKLAHOMA TAX COMMISSION

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

DATE OF IMPACT STATEMENT: February 7, 2017

BILL NUMBER: SB 225 STATUS AND DATE OF BILL: Introduced 1/17/17

AUTHORS: House n/a Senate Griffin

TAX TYPE (S): Income Tax SUBJECT: Administrative

PROPOSAL: Amendatory

SB 225 proposes to amend 68 O.S. § 2385.26 which relates to the requirement to withhold income taxes on oil and gas royalty payments made to royalty interest owners in respect to production of oil and gas in Oklahoma. This measure proposes to add oil and gas royalty payments made to publicly-traded partnerships as defined by Section 7704 (b) of the Internal Revenue Code that are treated as partnerships for federal tax purposes or its publicly-traded partnership affiliates as exempt from the withholding requirements.

EFFECTIVE DATE: November 1, 2017

### REVENUE IMPACT:

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

FY 18: Minimal decrease to income tax collections

FY 19: Minimal decrease to income tax collections

### ADMINISTRATIVE IMPACT:

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

FY 18: -0-

Feb. 7, 2017  
DATE

Rick Miller  
DIVISION DIRECTOR

mck

2-7-17  
DATE

Reece WOMACK  
REECE WOMACK, ECONOMIST

2/8/17  
DATE

Dan Carr  
FOR THE COMMISSION

**ATTACHMENT TO FISCAL IMPACT – SB 225 [Introduced] Prepared February 7, 2017**

SB 225 proposes to amend 68 O.S. § 2385.26 which relates to the requirement to withhold income taxes on oil and gas royalty payments made to royalty interest owners in respect to production of oil and gas in Oklahoma. This measure proposes to add oil and gas royalty payments made to publicly-traded partnerships as defined by Section 7704 (b) of the Internal Revenue Code that are treated as partnerships for federal tax purposes or its publicly-traded partnership affiliates as exempt from the withholding requirements.

Under current law, oil and gas royalty payments made to royalty interest owner in respect to production of oil and gas in Oklahoma are subject to income tax withholding in an amount equal to five percent (5%) of the gross amount which would have otherwise been payable to the person entitled to the payment. The following are currently exempt from the withholding provisions:

1. Current or permanent residents of Oklahoma
2. The United States, this state or any state or federal agency or political subdivision
3. Any charitable institution
4. Any federally recognized Indian tribe

A minimal decrease to income tax collections is anticipated as a result of this measure for FY18.