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<b>BILL/VERSION:</b>	<b>SB 227 / COMMITTEE SUB</b>	<b>ANALYST:</b> EC
<b>AUTHORS:</b>	Sen. Daniels and Paxton	<b>DATE:</b> 3/3/2026
<b>TAX(ES):</b>	Ad Valorem	
<b>SUBJECT(S):</b>	Oil & Gas Property	
<b>EFFECTIVE DATE:</b>	January 1, 2027	<b>Emergency</b> <input type="checkbox"/>

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**ESTIMATED REVENUE IMPACT:**

**FY28: Unknown decrease in tax revenue to local tax jurisdictions.**

**ANALYSIS:** SB 227 amends 68 O.S. §1001.1 to expand the description of property exempt from ad valorem tax in lieu of gross production tax, when used in the production of oil and gas subject to gross production tax.<sup>1</sup> The proposal specifies that exempt property includes lease production tanks, lease production meters, flowlines and gathering lines extending from the wellhead to the first sales meter or the boundary of the production unit, and disposal systems and related equipment used in connection with producing leases. SB 227 also clarifies that such property remains exempt so long as it is essential to the production of oil and gas in commercial quantities.

If any of the listed property is currently subject to ad valorem taxation, the proposal could reduce the taxable value of that property. The extent of any impact is under review.<sup>2</sup>

Any revenue impacts resulting from the proposal would directly affect local taxing jurisdictions and may indirectly affect state funding through the school funding formula.

<sup>1</sup> The introduced version of SB 227 proposed multiple changes to gross production tax and income tax. Those provisions have been removed in the proposed committee substitute.

<sup>2</sup> Based on similar legislation proposed in 2024, a third-party appraiser who assists 49 counties in valuing oil and gas property statewide estimated a revenue loss of \$8.6 million. This estimate excludes saltwater disposal wells. An updated estimate has been requested.

3/4/26  
DATE

Huan Gong  
DR. HUAN GONG, CHIEF TAX ECONOMIST

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DATE

Marie Schuble  
MARIE SCHUBLE, DIVISION DIRECTOR

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Joseph P. Gappa  
JOSEPH P. GAPPA, FOR THE COMMISSION

*The revenue impact provided herein is an estimate of the potential impact on the collection or apportionment of tax revenues affected by the proposed legislation. It is not intended to be an estimate of the overall fiscal impact on the state budget if the proposed legislation is enacted. This estimate reflects current available data as of the date of issuance and is subject to revision if additional information becomes known.*