

1 STATE OF OKLAHOMA

2 2nd Session of the 60th Legislature (2026)

3 COMMITTEE SUBSTITUTE
4 FOR

5 SENATE BILL NO. 227

6 By: Daniels and Paxton

7 COMMITTEE SUBSTITUTE

8 An Act relating to gross production tax; amending 68
9 O.S. 2021, Section 1001.1, which relates to property
10 exempt from ad valorem tax as used in the production
11 of material subject to gross production tax;
12 expanding exempt property; updating statutory
13 references; updating statutory language; and
14 providing an effective date.

15 BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

16 SECTION 1. AMENDATORY 68 O.S. 2021, Section 1001.1, is
17 amended to read as follows:

18 Section 1001.1. A. The Oklahoma Tax Commission shall adopt
19 rules and regulations which establish guidelines for the
20 determination of property exempt from ad valorem taxation pursuant
21 to the provisions of subsections ~~G~~ K and ~~H~~ L of Section 1001 of this
22 title. ~~Said~~ Such guidelines shall include, but are not limited to,
23 the following terms:

24 1. "Producing leases" means wells or leases or production units
which have had production during any of the previous three (3)
calendar years which is subject to the gross production tax levied

1 by Section 1001 of this title and which have not been abandoned or
2 required to be plugged as required by law on or before January 1 of
3 the year for which the assessment or valuation is made; and

4 2. "Payment of gross production tax" means payment of the tax
5 levied by Section 1001 of this title on production during any of the
6 three (3) calendar years immediately prior to January 1 of the year
7 for which the assessment or valuation is made; ~~and~~.

8 ~~3.~~ B. Property exempt from ad valorem tax pursuant to the
9 provisions of subsections ~~G~~ K and ~~H~~ L of Section 1001 of this title
10 shall include, but is not limited to ~~T~~:

11 ~~lease~~ 1. Lease production tanks, ~~lease~~;

12 2. Lease production meters ~~T~~;

13 3. Flowlines and gathering lines going from the wellhead either
14 to the first sales meter that is the point of custody transfer or to
15 the boundary of the production unit, whichever distance is shorter;

16 and

17 ~~disposal~~ 4. Disposal systems, including all materials and
18 equipment of disposal systems and the lines transporting the waste
19 materials, serving one or more wells, ~~which are not for commercial~~
20 ~~purposes~~. Provided, the exemption shall include the wellbore and
21 non-recoverable down-hole material, including casing, actually used
22 in the commercial disposal of waste materials produced with such oil
23 or gas.

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~~Such exempt property~~ C. The property exempt pursuant to this section and subsections K and L of Section 1001 of this title shall remain exempt as long as the property is essential to the production of oil and gas in commercial quantities. The county assessor shall be notified when such property becomes nonexempt.

SECTION 2. This act shall become effective January 1, 2027.

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