

1 State of Arkansas
2 93rd General Assembly
3 Regular Session, 2021
4

A Bill

HOUSE BILL 1755

5 By: Representatives Jean, Barker, Fielding
6 By: Senators Beckham, T. Garner
7

For An Act To Be Entitled

9 AN ACT TO AMEND THE LAW GOVERNING THE TAX TREATMENT
10 OF PRODUCING MINERALS; TO DEFINE AND SET THE TAX
11 TREATMENT FOR OIL WELLS AND PRODUCTION EQUIPMENT; AND
12 FOR OTHER PURPOSES.
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Subtitle

15 TO AMEND THE LAW GOVERNING THE TAX
16 TREATMENT OF PRODUCING MINERALS; AND TO
17 DEFINE AND SET THE TAX TREATMENT FOR OIL
18 WELLS AND PRODUCTION EQUIPMENT.
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22 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
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24 SECTION 1. Arkansas Code § 26-26-1110(a), concerning the assessment of
25 mineral rights for purposes of property tax, is amended to read as follows:

26 (a)(1) As used in this section:

27 (A) “Oil well” means a producing unit well or well that
28 produces:

29 (i) Only liquid hydrocarbons;

30 (ii) Liquid hydrocarbons associated with the
31 production of gas; or

32 (iii) Gas associated with the production of liquid
33 hydrocarbons; and

34 (B) “Production equipment” means all piping and other
35 equipment of an oil well from the bottom of the casing to and including the
36 sales valve at the tank battery.



1 (2) The county assessor shall assess all producing mineral
2 interests in the county.

3 ~~(2)(A)~~(3)(A) The county assessor shall assess the mineral
4 interests in the land separate from the fee simple interest in the land when
5 the:

6 (i) Mineral interests in the land are held by one
7 (1) or more persons that are different from the person or persons holding the
8 fee simple interest; and

9 (ii) County assessor is advised of the separate
10 holdings by the recording of a deed in the county recorder's office.

11 (B) When subdivision ~~(a)(2)(A)~~ (a)(3)(A) of this section
12 applies, a sale of the mineral interests for nonpayment of taxes shall not
13 affect the title to the land itself, nor shall a sale of the land for
14 nonpayment of taxes affect the title to the mineral interests.

15 (4)(A) The county assessor shall assess all production equipment
16 as real property.

17 (B)(i) Except as stated under subdivision (a)(4)(B)(ii) of
18 this section, when assessing the value of production equipment, the county
19 assessor shall assess the production equipment at a value of one dollar
20 (\$1.00) per foot.

21 (ii) Any portion of the casing in a well, that has
22 been rendered inoperable for producing oil or gas by a cement or mechanical
23 plug shall not be subject to taxation.

24 (5) If an oil well reported production in a prior year and
25 reports an annual increase in average daily production, the annual increase
26 in average daily production shall be assessed as newly discovered property
27 only if the annual increase in average daily production is solely
28 attributable to new production from a geologic zone or horizon that was not
29 produced in a prior year from the existing oil well.

30 (6)(A) In calculating the working interest-assessed value of an
31 oil well, the county assessor shall apply a uniform expense allowance per
32 barrel of oil produced without regard to the average daily production of the
33 oil well.

34 (B) The expense allowance under subdivision (a)(6)(A) of
35 this section shall be based as nearly as practicable on actual expenses per
36 barrel of oil produced.

1 (7) In assessing the value of an oil well based on an income
2 approach, the income shall be based on the actual average price per barrel of
3 oil in Arkansas during the immediately preceding calendar year; and

4 (8) All formulas, valuation tables, and guidance that are
5 published or provided to the county assessors by the Assessment Coordination
6 Division to be used in the valuation and appraisal of mineral rights for ad
7 valorem tax purposes shall comply with the requirements of this section.

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9 SECTION 2. EFFECTIVE DATE. Section 1 of this act is effective for
10 assessment years beginning on or after January 1, 2021.