

1 **HOUSE OF REPRESENTATIVES - FLOOR VERSION**

2 STATE OF OKLAHOMA

3 1st Session of the 56th Legislature (2017)

4 COMMITTEE SUBSTITUTE
5 FOR
6 HOUSE BILL NO. 2429

By: Osborn (Leslie) and Wallace
of the House

and

David and Fields of the
Senate

11 COMMITTEE SUBSTITUTE

12 An Act relating to revenue and taxation; amending 68
13 O.S. 2011, Section 1001, as last amended by Section
14 1, Chapter 346, O.S.L. 2014 (68 O.S. Supp. 2016,
15 Section 1001), which relates to gross production
16 taxes; providing certain reduced rate; clarifying
17 references; amending 68 O.S. 2011, Section 1004, as
18 last amended by Section 4, Chapter 337, O.S.L. 2016
(68 O.S. Supp. 2016, Section 1004), which relates to
apportionment of gross production taxes; making
certain apportionment applicable to certain rate;
providing an effective date; and declaring an
emergency.

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

22 SECTION 1. AMENDATORY 68 O.S. 2011, Section 1001, as
23 last amended by Section 1, Chapter 346, O.S.L. 2014 (68 O.S. Supp.
24 2016, Section 1001), is amended to read as follows:

1 Section 1001. A. There is hereby levied upon the production of
2 asphalt, ores bearing lead, zinc, jack and copper a tax equal to
3 three-fourths of one percent (3/4 of 1%) on the gross value thereof.

4 B. 1. Effective July 1, 2013, through June 30, 2015, except as
5 otherwise exempted pursuant to subsections D, E, F, G, H, I and J of
6 this section, there shall be levied upon the production of oil a tax
7 equal to seven percent (7%) of the gross value of the production of
8 oil based on a per barrel measurement of forty-two (42) U.S. gallons
9 of two hundred thirty-one (231) cubic inches per gallon, computed at
10 a temperature of sixty (60) degrees Fahrenheit.

11 2. Effective July 1, 2013, through June 30, 2015, except as
12 otherwise exempted pursuant to subsections D, E, F, G, H, I and J of
13 this section, there shall be levied a tax equal to seven percent
14 (7%) of the gross value of the production of gas.

15 3. Effective July 1, 2015, except as otherwise provided in this
16 section, there shall be levied a tax on the gross value of the
17 production of oil and gas as follows:

18 a. upon the production of oil a tax equal to seven
19 percent (7%) of the gross value of the production of
20 oil based on a per barrel measurement of forty-two
21 (42) U.S. gallons of two hundred thirty-one (231)
22 cubic inches per gallon, computed at a temperature of
23 sixty (60) degrees Fahrenheit,
24

1 b. upon the production of gas a tax equal to seven
2 percent (7%) of the gross value of the production of
3 gas, and

4 c. notwithstanding the levies in subparagraphs a and b of
5 this paragraph, the production of oil, gas, or oil and
6 gas from wells spudded on or after July 1, 2015, shall
7 be taxed at a rate of two percent (2%) commencing with
8 the month of first production for a period of thirty-
9 six (36) months. Thereafter, the production shall be
10 taxed as provided in subparagraphs a and b of this
11 paragraph.

12 C. The taxes hereby levied shall also attach to, and are levied
13 on, what is known as the royalty interest, and the amount of such
14 tax shall be a lien on such interest.

15 D. 1. Except as otherwise provided in this section, for
16 secondary recovery projects approved or having an initial project
17 beginning date on or after July 1, 2000, and before July 1, 2020,
18 any incremental production attributable to the working interest
19 owners which results from such secondary recovery projects shall be
20 exempt from the gross production tax levied pursuant to this section
21 for a period not to exceed five (5) years from the initial project
22 beginning date or for a period ending upon the termination of the
23 secondary recovery process, whichever occurs first.

1 2. Except as otherwise provided in this section, for tertiary
2 recovery projects approved and having a project beginning date on or
3 after July 1, 1993, and before July 1, 2020, any incremental
4 production attributable to the working interest owners which results
5 from such tertiary recovery projects shall be exempt from the gross
6 production tax levied pursuant to this section from the project
7 beginning date until project payback is achieved, but not to exceed
8 a period of ten (10) years. Project payback pursuant to this
9 paragraph shall be determined by appropriate payback indicators
10 which will provide for the recovery of capital expenses and
11 operating expenses, excluding administrative expenses, in
12 determining project payback. The capital expenses of pipelines
13 constructed to transport carbon dioxide to a tertiary recovery
14 project shall not be included in determining project payback
15 pursuant to this paragraph.

16 3. The provisions of this subsection shall also not apply to
17 any enhanced recovery project using fresh water as the primary
18 injectant, except when using steam.

19 4. For purposes of this subsection:

20 a. "incremental production" means the amount of crude oil
21 or other liquid hydrocarbons which is produced during
22 an enhanced recovery project and which is in excess of
23 the base production amount of crude oil or other
24 liquid hydrocarbons. The base production amount shall

1 be the average monthly amount of production for the
2 twelve-month period immediately prior to the project
3 beginning date minus the monthly rate of production
4 decline for the project for each month beginning one
5 hundred eighty (180) days prior to the project
6 beginning date. The monthly rate of production
7 decline shall be equal to the average extrapolated
8 monthly decline rate for the twelve-month period
9 immediately prior to the project beginning date as
10 determined by the Corporation Commission based on the
11 production history of the field, its current status,
12 and sound reservoir engineering principles, and

13 b. "project beginning date" means the date on which the
14 injection of liquids, gases, or other matter begins on
15 an enhanced recovery project.

16 5. The Corporation Commission shall promulgate rules for the
17 qualification for this exemption which shall include, but not be
18 limited to, procedures for determining incremental production as
19 defined in subparagraph a of paragraph 4 of this subsection, and the
20 establishment of appropriate payback indicators as approved by the
21 Tax Commission for the determination of project payback for each of
22 the exemptions authorized by this subsection.

23 6. For new secondary recovery projects and tertiary recovery
24 projects approved by the Corporation Commission on or after July 1,

1 1993, and before July 1, 2020, such approval shall constitute
2 qualification for an exemption.

3 7. Any person seeking an exemption shall file an application
4 for such exemption with the Tax Commission which, upon determination
5 of qualification by the Corporation Commission, shall approve the
6 application for such exemption.

7 8. The Tax Commission may require any person requesting such
8 exemption to furnish information or records concerning the exemption
9 as is deemed necessary by the Tax Commission.

10 9. Upon the expiration of the exemption granted pursuant to
11 this subsection, the Tax Commission shall collect the gross
12 production tax levied pursuant to this section.

13 E. 1. Except as otherwise provided in this section, the
14 production of oil, gas or oil and gas from a horizontally drilled
15 well producing prior to July 1, 2011, which production commenced
16 after July 1, 2002, shall be exempt from the gross production tax
17 levied pursuant to subsection B of this section from the project
18 beginning date until project payback is achieved but not to exceed a
19 period of forty-eight (48) months commencing with the month of
20 initial production from the horizontally drilled well. For purposes
21 of subsection D of this section and this subsection, project payback
22 shall be determined as of the date of the completion of the well and
23 shall not include any expenses beyond the completion date of the
24 well, and subject to the approval of the Tax Commission.

1 2. Claims for refund for the production periods within the
2 fiscal years ending June 30, 2010, and June 30, 2011, shall be filed
3 and received by the Tax Commission no later than December 31, 2011.

4 3. For production commenced on or after July 1, 2011, and prior
5 to July 1, 2015, the tax levied pursuant to the provisions of this
6 section on the production of oil, gas or oil and gas from a
7 horizontally drilled well shall be reduced to a rate of one percent
8 (1%) for a period of forty-eight (48) months from the month of
9 initial production; provided however, such production occurring on
10 or after the effective date of this act for the remainder of such
11 forty-eight-month period shall be subject to a reduced rate of four
12 percent (4%). The taxes collected from the production of oil shall
13 be apportioned pursuant to the provisions of paragraph § 7 of
14 subsection A B of Section 1004 of this title. The taxes collected
15 from the production of gas shall be apportioned pursuant to the
16 provisions of paragraph 4 3 of subsection A B of Section 1004 of
17 this title.

18 4. The production of oil, gas or oil and gas on or after July
19 1, 2011, and prior to July 1, 2015, from these qualifying wells
20 shall be taxed at a rate of one percent (1%) until the expiration of
21 forty-eight (48) months commencing with the month of initial
22 production.

23 5. As used in this subsection, "horizontally drilled well"
24 shall mean an oil, gas or oil and gas well drilled or recompleted in

1 a manner which encounters and subsequently produces from a
2 geological formation at an angle in excess of seventy (70) degrees
3 from vertical and which laterally penetrates a minimum of one
4 hundred fifty (150) feet into the pay zone of the formation.

5 F. 1. Except as otherwise provided by this section, the
6 severance or production of oil, gas or oil and gas from an inactive
7 well shall be exempt from the gross production tax levied pursuant
8 to subsection B of this section for a period of twenty-eight (28)
9 months from the date upon which production is reestablished. This
10 exemption shall take effect July 1, 1994, and shall apply to wells
11 for which work to reestablish or enhance production began on or
12 after July 1, 1994, and for which production is reestablished prior
13 to July 1, 2020. For all such production, a refund against gross
14 production taxes shall be issued as provided in subsection L of this
15 section.

16 2. As used in this subsection, for wells for which production
17 is reestablished prior to July 1, 1997, "inactive well" means any
18 well that has not produced oil, gas or oil and gas for a period of
19 not less than two (2) years as evidenced by the appropriate forms on
20 file with the Corporation Commission reflecting the well's status.
21 As used in this subsection, for wells for which production is
22 reestablished on or after July 1, 1997, and prior to July 1, 2020,
23 "inactive well" means any well that has not produced oil, gas or oil
24 and gas for a period of not less than one (1) year as evidenced by

1 the appropriate forms on file with the Corporation Commission
2 reflecting the well's status. Wells which experience mechanical
3 failure or loss of mechanical integrity, as defined by the
4 Corporation Commission, including but not limited to, casing leaks,
5 collapse of casing or loss of equipment in a wellbore, or any
6 similar event which causes cessation of production, shall also be
7 considered inactive wells.

8 G. 1. Except as otherwise provided by this section, any
9 incremental production which results from a production enhancement
10 project shall be exempt from the gross production tax levied
11 pursuant to subsection B of this section for a period of twenty-
12 eight (28) months from the date of first sale after project
13 completion of the production enhancement project. This exemption
14 shall take effect July 1, 1994, and shall apply to production
15 enhancement projects having a project beginning date on or after
16 July 1, 1994, and prior to July 1, 2020. For all such production, a
17 refund against gross production taxes shall be issued as provided in
18 subsection L of this section.

19 2. As used in this subsection:

20 a. for production enhancement projects having a project
21 beginning date on or after July 1, 1997, and prior to
22 July 1, 2020, "production enhancement project" means
23 any workover as defined in this paragraph,
24 recompletion as defined in this paragraph, reentry of

1 plugged and abandoned wellbores, or addition of a well
2 or field compression,

3 b. "incremental production" means the amount of crude
4 oil, natural gas or other hydrocarbons which are
5 produced as a result of the production enhancement
6 project in excess of the base production,

7 c. "base production" means the average monthly amount of
8 production for the twelve-month period immediately
9 prior to the commencement of the project or the
10 average monthly amount of production for the twelve-
11 month period immediately prior to the commencement of
12 the project less the monthly rate of production
13 decline for the project for each month beginning one
14 hundred eighty (180) days prior to the commencement of
15 the project. The monthly rate of production decline
16 shall be equal to the average extrapolated monthly
17 decline rate for the twelve-month period immediately
18 prior to the commencement of the project based on the
19 production history of the well. If the well or wells
20 covered in the application had production for less
21 than the full twelve-month period prior to the filing
22 of the application for the production enhancement
23 project, the base production shall be the average
24

1 monthly production for the months during that period
2 that the well or wells produced,

3 d. for production enhancement projects having a project
4 beginning date on or after July 1, 1997, and prior to
5 July 1, 2020, "recompletion" means any downhole
6 operation in an existing oil or gas well that is
7 conducted to establish production of oil or gas from
8 any geologic interval not currently completed or
9 producing in such existing oil or gas well within the
10 same or a different geologic formation, and

11 e. "workover" means any downhole operation in an existing
12 oil or gas well that is designed to sustain, restore
13 or increase the production rate or ultimate recovery
14 in a geologic interval currently completed or
15 producing in the existing oil or gas well. For
16 production enhancement projects having a project
17 beginning date on or after July 1, 1997, and prior to
18 July 1, 2020, "workover" includes, but is not limited
19 to:

20 (1) acidizing,

21 (2) reperforating,

22 (3) fracture treating,

23 (4) sand/paraffin/scale removal or other wellbore
24 cleanouts,

- 1 (5) casing repair,
- 2 (6) squeeze cementing,
- 3 (7) installation of compression on a well or group of
- 4 wells or initial installation of artificial lifts
- 5 on gas wells, including plunger lifts, rod pumps,
- 6 submersible pumps and coiled tubing velocity
- 7 strings,
- 8 (8) downsizing existing tubing to reduce well
- 9 loading,
- 10 (9) downhole commingling,
- 11 (10) bacteria treatments,
- 12 (11) upgrading the size of pumping unit equipment,
- 13 (12) setting bridge plugs to isolate water production
- 14 zones, or
- 15 (13) any combination thereof.

16 "Workover" shall not mean the routine maintenance,
17 routine repair, or like for like replacement of
18 downhole equipment such as rods, pumps, tubing,
19 packers, or other mechanical devices.

20 H. 1. For purposes of this subsection, "depth" means the
21 length of the maximum continuous string of drill pipe utilized
22 between the drill bit face and the drilling rig's kelly bushing.

23 2. Except as otherwise provided in subsection K of this
24 section:

1 a. the production of oil, gas or oil and gas from wells
2 spudded between July 1, 1997, and July 1, 2005, and
3 drilled to a depth of twelve thousand five hundred
4 (12,500) feet or greater and wells spudded between
5 July 1, 2005, and July 1, 2015, and drilled to a depth
6 between twelve thousand five hundred (12,500) feet and
7 fourteen thousand nine hundred ninety-nine (14,999)
8 feet shall be exempt from the gross production tax
9 levied pursuant to subsection B of this section from
10 the date of first sales for a period of twenty-eight
11 (28) months,

12 b. the production of oil, gas or oil and gas from wells
13 spudded between July 1, 2002, and July 1, 2005, and
14 drilled to a depth of fifteen thousand (15,000) feet
15 or greater and wells spudded between July 1, 2005, and
16 July 1, 2011, and drilled to a depth between fifteen
17 thousand (15,000) feet and seventeen thousand four
18 hundred ninety-nine (17,499) feet shall be exempt from
19 the gross production tax levied pursuant to subsection
20 B of this section from the date of first sales for a
21 period of forty-eight (48) months,

22 c. the production of oil, gas or oil and gas from wells
23 spudded between July 1, 2002, and July 1, 2011, and
24 drilled to a depth of seventeen thousand five hundred

1 (17,500) feet or greater shall be exempt from the
2 gross production tax levied pursuant to subsection B
3 of this section from the date of first sales for a
4 period of sixty (60) months,

- 5 d. the tax levied pursuant to the provisions of this
6 section on the production of oil, gas or oil and gas
7 from wells spudded between July 1, 2011, and July 1,
8 2015, and drilled to a depth between fifteen thousand
9 (15,000) feet and seventeen thousand four hundred
10 ninety-nine (17,499) feet shall be reduced to a rate
11 of four percent (4%) for a period of forty-eight (48)
12 months from the date of first sales. The taxes
13 collected from the production of oil shall be
14 apportioned pursuant to the provisions of paragraph 7
15 of subsection A B of Section 1004 of this title. The
16 taxes collected from the production of gas shall be
17 apportioned pursuant to the provisions of paragraph 3
18 of subsection A B of Section 1004 of this title,
- 19 e. the tax levied pursuant to the provisions of this
20 section on the production of oil, gas or oil and gas
21 from wells spudded between July 1, 2011, and July 1,
22 2015, and drilled to a depth of seventeen thousand
23 five hundred (17,500) feet or greater shall be reduced
24 to a rate of four percent (4%) for a period of sixty

1 (60) months from the date of first sales. The taxes
2 collected from the production of oil shall be
3 apportioned pursuant to the provisions of paragraph 7
4 of subsection A B of Section 1004 of this title. The
5 taxes collected from the production of gas shall be
6 apportioned pursuant to the provisions of paragraph 3
7 of subsection A B of Section 1004 of this title, and
8 f. the provisions of subparagraphs b and c of this
9 paragraph shall only apply to the production of wells
10 qualifying for the exemption provided under these
11 subparagraphs prior to July 1, 2011. The production
12 of oil, gas or oil and gas on or after July 1, 2011,
13 and before July 1, 2015, from wells qualifying under
14 subparagraph b of this paragraph shall be taxed at a
15 rate of four percent (4%) until the expiration of
16 forty-eight (48) months from the date of first sales
17 and the production of oil, gas or oil and gas on or
18 after July 1, 2011, and before July 1, 2015, from
19 wells qualifying under subparagraph c of this
20 paragraph shall be taxed at a rate of four percent
21 (4%) until the expiration of sixty (60) months from
22 the date of first sales.
23
24

1 3. Except as otherwise provided for in this subsection, for all
2 such wells spudded, a refund against gross production taxes shall be
3 issued as provided in subsection L of this section.

4 I. Except as otherwise provided by this section, the production
5 of oil, gas or oil and gas from wells spudded or reentered between
6 July 1, 1995, and July 1, 2015, which qualify as a new discovery
7 pursuant to this subsection shall be exempt from the gross
8 production tax levied pursuant to subsection B of this section from
9 the date of first sales for a period of twenty-eight (28) months.
10 For all such wells spudded or reentered, a refund against gross
11 production taxes shall be issued as provided in subsection L of this
12 section. As used in this subsection, "new discovery" means
13 production of oil, gas or oil and gas from:

14 1. For wells spudded or reentered on or after July 1, 1997, and
15 prior to July 1, 2015, a well that discovers crude oil in paying
16 quantities that is more than one (1) mile from the nearest oil well
17 producing from the same producing interval of the same formation;

18 2. For wells spudded or reentered on or after July 1, 1997, and
19 prior to July 1, 2015, a well that discovers crude oil in paying
20 quantities beneath current production in a deeper producing interval
21 that is more than one (1) mile from the nearest oil well producing
22 from the same deeper producing interval;

23 3. For wells spudded or reentered on or after July 1, 1997, and
24 prior to July 1, 2015, a well that discovers natural gas in paying

1 quantities that is more than two (2) miles from the nearest gas well
2 producing from the same producing interval; or

3 4. For wells spudded or reentered on and after July 1, 1997,
4 and prior to July 1, 2015, a well that discovers natural gas in
5 paying quantities beneath current production in a deeper producing
6 interval that is more than two (2) miles from the nearest gas well
7 producing from the same deeper producing interval.

8 J. Except as otherwise provided by this section, the production
9 of oil, gas or oil and gas from any well, drilling of which is
10 commenced after July 1, 2000, and prior to July 1, 2015, located
11 within the boundaries of a three-dimensional seismic shoot and
12 drilled based on three-dimensional seismic technology, shall be
13 exempt from the gross production tax levied pursuant to subsection B
14 of this section from the date of first sales as follows:

15 1. If the three-dimensional seismic shoot is shot prior to July
16 1, 2000, for a period of eighteen (18) months; and

17 2. If the three-dimensional seismic shoot is shot on or after
18 July 1, 2000, for a period of twenty-eight (28) months. For all
19 such production, a refund against gross production taxes shall be
20 issued as provided in subsection L of this section.

21 K. 1. The exemptions provided for in subsections F, G, I and J
22 of this section, the exemption provided for in subparagraph a of
23 paragraph 2 of subsection H of this section, and the exemptions
24 provided for in subparagraphs b and c of paragraph 2 of subsection H

1 of this section for production from wells spudded before July 1,
2 2005, shall not apply:

3 a. to the severance or production of oil, upon
4 determination by the Tax Commission that the average
5 annual index price of Oklahoma oil exceeds Thirty
6 Dollars (\$30.00) per barrel calculated on an annual
7 calendar year basis, as adjusted for inflation using
8 the Consumer Price Index-All Urban Consumers (CPI-U)
9 as published by the Bureau of Labor Statistics of the
10 U.S. Department of Labor or its successor agency.

11 Such adjustment shall be based on the most current
12 data available for the preceding twelve-month period
13 and shall be applied for the fiscal year which begins
14 on the July 1 date immediately following the release
15 of the CPI-U data by the Bureau of Statistics.

16 (1) The "average annual index price" will be
17 calculated by multiplying the West Texas
18 Intermediate closing price by the "index price
19 ratio". The index price ratio is defined as the
20 immediate preceding three-year historical average
21 ratio of the actual weighted average wellhead
22 price to the West Texas Intermediate close price
23 published on the last business day of each month.

24

1 (2) The average annual index price will be updated
2 annually by the Oklahoma Tax Commission no later
3 than March 31 of each year.

4 (3) If the West Texas Intermediate Crude price is
5 unavailable for any reason, an industry benchmark
6 price may be substituted and used for the
7 calculation of the index price as determined by
8 the Tax Commission,

9 b. to the severance or production of oil or gas upon
10 which gross production taxes are paid at a rate of one
11 percent (1%) pursuant to the provisions of subsection
12 B of this section, and

13 c. to the severance or production of gas, upon
14 determination by the Tax Commission that the average
15 annual index price of Oklahoma gas exceeds Five
16 Dollars (\$5.00) per thousand cubic feet (mcf)
17 calculated on an annual calendar year basis as
18 adjusted for inflation using the Consumer Price Index-
19 All Urban Consumers (CPI-U) as published by the Bureau
20 of Labor Statistics of the U.S. Department of Labor or
21 its successor agency. Such adjustment shall be based
22 on the most current data available for the preceding
23 twelve-month period and shall be applied for the
24 fiscal year which begins on the July 1 date

1 immediately following the release of the CPI-U data by
2 the Bureau of Statistics.

3 (1) The "average annual index price" will be
4 calculated by multiplying the Henry Hub 3-Day
5 Average Close price by the "index price ratio".
6 The index price ratio is defined as the immediate
7 preceding three-year historical average ratio of
8 the actual weighted average wellhead price to the
9 Henry Hub 3-Day Average Close price published on
10 the last business day of each month.

11 (2) The average annual index price will be updated
12 annually by the Oklahoma Tax Commission no later
13 than March 31 of each year.

14 (3) If the Henry Hub 3-Day Average Close price is
15 unavailable for any reason, an industry benchmark
16 price may be substituted and used for the
17 calculation of the index price as determined by
18 the Tax Commission.

19 2. Notwithstanding the exemptions granted pursuant to
20 subsections F, G, I, J, paragraph 1 of subsection E, and
21 subparagraph a of paragraph 2 of subsection H of this section, there
22 shall continue to be levied upon the production of petroleum or
23 other crude or mineral oil or natural gas or casinghead gas, as
24 provided in subsection B of this section, from any wells provided

1 for in subsections F, G, I, J, paragraph 1 of subsection E, and
2 subparagraph a of paragraph 2 of subsection H of this section, a tax
3 equal to one percent (1%) of the gross value of the production of
4 petroleum or other crude or mineral oil or natural gas or casinghead
5 gas. The tax hereby levied shall be apportioned as follows:

6 a. fifty percent (50%) of the sum collected shall be
7 apportioned to the County Highway Fund as provided in
8 subparagraph b of paragraph 1 of subsection A B of
9 Section 1004 of this title, and

10 b. fifty percent (50%) of the sum collected shall be
11 apportioned to the appropriate school district as
12 provided in subparagraph c of paragraph 1 of
13 subsection A B of Section 1004 of this title.

14 Upon the expiration of the exemption granted pursuant to
15 subsection E, F, G, H, I or J of this section, the provisions of
16 this paragraph shall have no force or effect.

17 L. 1. Prior to July 1, 2015, and except as provided in
18 subsection M of this section, for all oil and gas production exempt
19 from gross production taxes pursuant to subsections E, F, G, H, I
20 and J of this section during a given fiscal year, a refund of gross
21 production taxes shall be issued to the well operator or a designee
22 in the amount of such gross production taxes paid during such
23 period, subject to the following provisions:

24

- 1 a. a refund shall not be claimed until after the end of
2 such fiscal year. As used in this subsection, a
3 fiscal year shall be deemed to begin on July 1 of one
4 calendar year and shall end on June 30 of the
5 subsequent calendar year,
- 6 b. unless otherwise specified, no claims for refunds
7 pursuant to the provisions of this subsection shall be
8 filed more than eighteen (18) months after the first
9 day of the fiscal year in which the refund is first
10 available,
- 11 c. no claims for refunds pursuant to the provisions of
12 this subsection shall be filed by or on behalf of
13 persons other than the operator or a working interest
14 owner of record at the time of production,
- 15 d. no refunds shall be claimed or paid pursuant to the
16 provisions of this subsection for oil or gas
17 production upon which a tax is paid at a rate of one
18 percent (1%) as specified in subsection B of this
19 section, and
- 20 e. no refund shall be paid unless the person making the
21 claim for refund demonstrates by affidavit or other
22 means prescribed by the Tax Commission that an amount
23 equal to or greater than the amount of the refund has
24 been invested in the exploration for or production of

1 crude oil or natural gas in this state by such person
2 not more than three (3) years prior to the date of the
3 claim. No amount of investment used to qualify for a
4 refund pursuant to the provisions of this subsection
5 may be used to qualify for another refund pursuant to
6 the provisions of this subsection.

7 If there are insufficient funds collected from the production of
8 oil to satisfy the refunds claimed for oil production pursuant to
9 subsection E, F, G, H, I or J of this section, the Tax Commission
10 shall pay the balance of the refund claims out of the gross
11 production taxes collected from the production of gas.

12 2. On or after July 1, 2015, for all oil and gas production
13 exempt from gross production taxes pursuant to subsections F and G
14 of this section during a given fiscal year, a refund of gross
15 production taxes shall be issued to the well operator or a designee
16 in the amount of such gross production taxes paid during such
17 period, subject to the following provisions:

18 a. a refund shall not be claimed until after the end of
19 such fiscal year. As used in this subsection, a
20 fiscal year shall be deemed to begin on July 1 of one
21 calendar year and shall end on June 30 of the
22 subsequent calendar year,

23 b. unless otherwise specified, no claims for refunds
24 pursuant to the provisions of this subsection shall be

1 filed more than eighteen (18) months after the first
2 day of the fiscal year in which the refund is first
3 available,

4 c. no claims for refunds pursuant to the provisions of
5 this subsection shall be filed by or on behalf of
6 persons other than the operator or a working interest
7 owner of record at the time of production,

8 d. no refunds shall be claimed or paid pursuant to the
9 provisions of this subsection for oil or gas
10 production upon which a tax is paid at a rate of two
11 percent (2%), and

12 e. no refund shall be paid unless the person making the
13 claim for refund demonstrates by affidavit or other
14 means prescribed by the Tax Commission that an amount
15 equal to or greater than the amount of the refund has
16 been invested in the exploration for or production of
17 crude oil or natural gas in this state by such person
18 not more than three (3) years prior to the date of the
19 claim. No amount of investment used to qualify for a
20 refund pursuant to the provisions of this paragraph
21 may be used to qualify for another refund pursuant to
22 the provisions of this paragraph.

23 If there are insufficient funds collected from the production of
24 oil or gas to satisfy the refunds claimed for oil or gas production

1 pursuant to subsection F or G of this section, the Tax Commission
2 shall pay the balance of the refund claims out of the gross
3 production taxes collected from either the production of oil or gas,
4 as necessary.

5 3. Notwithstanding any other provisions of law, after the
6 effective date of this act, no refund of gross production taxes
7 shall be claimed for oil and gas production exempt from gross
8 production taxes pursuant to subsections E, F, G, H, I and J of this
9 section for production occurring prior to July 1, 2003.

10 M. Claims for refunds filed for the exemptions provided in
11 paragraph 1 of subsection E, and subparagraphs b and c of paragraph
12 2 of subsection H of this section for the production periods
13 beginning on or after July 1, 2009, and ending on or before June 30,
14 2011, shall be paid pursuant to the provisions of this subsection.
15 The claims for refunds referenced herein shall be paid in equal
16 payments of a period of thirty-six (36) months. The first payment
17 shall be made after July 1, 2012, but prior to August 1, 2012. The
18 Tax Commission shall provide, not later than June 30, 2012, to the
19 operator or designated interest owner, a schedule of rebates to be
20 paid out over the thirty-six-month period. The payments required to
21 be made pursuant to the provisions of this subsection shall be
22 subject to a penalty rate of interest equal to nine percent (9%) per
23 annum. The penalty rate of interest shall accrue for each day that
24 a required payment is not made by the end of the month for which the

1 payment is required to be made by the Tax Commission. For purposes
2 of computing the per diem rate of interest pursuant to this
3 subsection, a calendar year shall be deemed to consist of three
4 hundred sixty (360) days.

5 N. 1. The Corporation Commission and the Tax Commission shall
6 promulgate joint rules for the qualification for the exemptions
7 provided for in this section and the rules shall contain provisions
8 for verification of any wells from which production may be qualified
9 for the exemptions. The Tax Commission shall adopt rules and
10 regulations which establish guidelines for production of oil or gas
11 after July 1, 2011, which is exempt from tax pursuant to the
12 provisions of paragraph 1 of subsection E and subparagraphs b and c
13 of paragraph 2 of subsection H of this section to remit tax at the
14 reduced rate provided in paragraph 2 of subsection E and
15 subparagraphs d and e of paragraph 2 of subsection H of this section
16 until the end of the qualifying exemption period.

17 2. Any person requesting any exemption shall file an
18 application for qualification for the exemption with the Corporation
19 Commission which, upon finding that the well meets the requirements
20 of this section, shall approve the application for qualification.

21 3. Any person seeking an exemption shall:

22 a. file an application for the exemption with the Tax
23 Commission which, upon determination of qualification
24

1 by the Corporation Commission, shall approve the
2 application for an exemption, and

3 b. provide a copy of the approved application to the
4 remitter of the gross production tax.

5 4. The Tax Commission may require any person requesting an
6 exemption to furnish necessary financial and other information or
7 records in order to determine and justify the refund.

8 5. Upon the expiration of an exemption granted pursuant to this
9 section, the Tax Commission shall collect the gross production tax
10 levied pursuant to this section. If a person who qualifies for the
11 exemption elects to remit his or her own gross production tax during
12 the exemption period, the first purchaser shall not be liable to
13 withhold or remit the tax until the first day of the month following
14 the receipt of written notification from the person who is qualified
15 for such exemption stating that such exemption has expired and
16 directing the first purchaser to resume tax remittance on his or her
17 behalf.

18 O. 1. Prior to July 1, 2015, persons shall only be entitled to
19 either the exemption granted pursuant to subsection D of this
20 section or the exemption granted pursuant to subsection E, F, G, H,
21 I or J of this section for each oil, gas or oil and gas well drilled
22 or recompleted in this state. However, any person who qualifies for
23 the exemption granted pursuant to subsection E, F, G, H, I or J of
24 this section shall not be prohibited from qualification for the

1 exemption granted pursuant to subsection D of this section, if the
2 exemption granted pursuant to subsection E, F, G, H, I or J of this
3 section has expired.

4 2. On or after July 1, 2015, all persons shall only be entitled
5 to either the exemption granted pursuant to subsection D of this
6 section or the exemption granted pursuant to subsection F or G of
7 this section for each oil, gas, or oil and gas well drilled or
8 recompleted in this state. However, any person who qualifies for
9 the exemption granted pursuant to subsections F and G of this
10 section shall not be prohibited from qualification for the exemption
11 granted pursuant to subsection D of this section if the exemption
12 granted pursuant to subsection F or G of this section has expired.
13 Further, the exemption granted pursuant to subsection D of this
14 section shall not apply to any production upon which a tax is paid
15 at a rate of two percent (2%).

16 P. The Tax Commission shall have the power to require any such
17 person engaged in mining or the production or the purchase of such
18 asphalt, mineral ores aforesaid, oil, or gas, or the owner of any
19 royalty interest therein to furnish any additional information by it
20 deemed to be necessary for the purpose of correctly computing the
21 amount of the tax; and to examine the books, records and files of
22 such person; and shall have power to conduct hearings and compel the
23 attendance of witnesses, and the production of books, records and
24 papers of any person.

1 Q. Any person or any member of any firm or association, or any
2 officer, official, agent or employee of any corporation who shall
3 fail or refuse to testify; or who shall fail or refuse to produce
4 any books, records or papers which the Tax Commission shall require;
5 or who shall fail or refuse to furnish any other evidence or
6 information which the Tax Commission may require; or who shall fail
7 or refuse to answer any competent questions which may be put to him
8 or her by the Tax Commission, touching the business, property,
9 assets or effects of any such person relating to the gross
10 production tax imposed by this article or exemption authorized
11 pursuant to this section or other laws, shall be guilty of a
12 misdemeanor, and, upon conviction thereof, shall be punished by a
13 fine of not more than Five Hundred Dollars (\$500.00), or
14 imprisonment in the jail of the county where such offense shall have
15 been committed, for not more than one (1) year, or by both such fine
16 and imprisonment; and each day of such refusal on the part of such
17 person shall constitute a separate and distinct offense.

18 R. The Tax Commission shall have the power and authority to
19 ascertain and determine whether or not any report herein required to
20 be filed with it is a true and correct report of the gross products,
21 and of the value thereof, of such person engaged in the mining or
22 production or purchase of asphalt and ores bearing minerals
23 aforesaid and of oil and gas. If any person has made an untrue or
24 incorrect report of the gross production or value or volume thereof,

1 or shall have failed or refused to make such report, the Tax
2 Commission shall, under the rules prescribed by it, ascertain the
3 correct amount of either, and compute the tax.

4 S. The payment of the taxes herein levied shall be in full, and
5 in lieu of all taxes by the state, counties, cities, towns, school
6 districts and other municipalities upon any property rights attached
7 to or inherent in the right to the minerals, upon producing leases
8 for the mining of asphalt and ores bearing lead, zinc, jack or
9 copper, or for oil, or for gas, upon the mineral rights and
10 privileges for the minerals aforesaid belonging or appertaining to
11 land, upon the machinery, appliances and equipment used in and
12 around any well producing oil, or gas, or any mine producing asphalt
13 or any of the mineral ores aforesaid and actually used in the
14 operation of such well or mine. The payment of gross production tax
15 shall also be in lieu of all taxes upon the oil, gas, asphalt or
16 ores bearing minerals hereinbefore mentioned during the tax year in
17 which the same is produced, and upon any investment in any of the
18 leases, rights, privileges, minerals or other property described
19 herein. Any interest in the land, other than that herein
20 enumerated, and oil in storage, asphalt and ores bearing minerals
21 hereinbefore named, mined, produced and on hand at the date as of
22 which property is assessed for general and ad valorem taxation for
23 any subsequent tax year, shall be assessed and taxed as other
24

1 property within the taxing district in which such property is
2 situated at the time.

3 T. No equipment, material or property shall be exempt from the
4 payment of ad valorem tax by reason of the payment of the gross
5 production tax except such equipment, machinery, tools, material or
6 property as is actually necessary and being used and in use in the
7 production of asphalt or of ores bearing lead, zinc, jack or copper
8 or of oil or gas. Provided, the exemption shall include the
9 wellbore and non-recoverable down-hole material, including casing,
10 actually used in the disposal of waste materials produced with such
11 oil or gas. It is expressly declared that no ice plants, hospitals,
12 office buildings, garages, residences, gasoline extraction or
13 absorption plants, water systems, fuel systems, rooming houses and
14 other buildings, nor any equipment or material used in connection
15 therewith, shall be exempt from ad valorem tax.

16 U. The exemption from ad valorem tax set forth in subsections S
17 and T of this section shall continue to apply to all property from
18 which production of oil, gas or oil and gas is exempt from gross
19 production tax pursuant to subsection D, E, F, G, H, I or J of this
20 section.

21 SECTION 2. AMENDATORY 68 O.S. 2011, Section 1004, as
22 last amended by Section 4, Chapter 337, O.S.L. 2016 (68 O.S. Supp.
23 2016, Section 1004), is amended to read as follows:

24 Section 1004. A. As used in this section:

1 1. "Moving five-year average amount for gas" means, for
2 purposes of the apportionments prescribed by this section, the
3 amount of gross production tax on natural gas collected for each of
4 the five (5) complete fiscal years, as computed by the State Board
5 of Equalization pursuant to Section 2 of this act; and

6 2. "Moving five-year average amount for oil" means, for
7 purposes of the apportionments prescribed by this section, the
8 amount of gross production tax on oil collected for each of the five
9 (5) complete fiscal years, as computed by the State Board of
10 Equalization pursuant to Section 2 of this act.

11 B. Beginning July 1, 2017, the gross production tax provided
12 for in Section 1001 of this title is hereby levied and shall be
13 collected and apportioned as follows:

14 1. For all monies collected from the tax levied on asphalt or
15 ores bearing uranium, lead, zinc, jack, gold, silver or copper:

16 a. eighty-five and seventy-two one-hundredths percent
17 (85.72%) shall be paid to the State Treasurer of the
18 state to be placed in the General Revenue Fund of the
19 state and used for the general expense of state
20 government, to be paid out pursuant to direct
21 appropriation by the Legislature,

22 b. seven and fourteen one-hundredths percent (7.14%) of
23 the sum collected from natural gas and/or casinghead
24 gas or asphalt or ores bearing uranium, lead, zinc,

1 jack, gold, silver or copper shall be paid to the
2 various county treasurers to be credited to the County
3 Highway Fund as follows: Each county shall receive a
4 proportionate share of the funds available based upon
5 the proportion of the total value of production from
6 such county in the corresponding month of the
7 preceding year, and

8 c. seven and fourteen one-hundredths percent (7.14%)
9 shall be allocated to each county as provided for in
10 subparagraph b of this paragraph and shall be
11 apportioned, on an average daily attendance per capita
12 distribution basis, as certified by the State
13 Superintendent of Public Instruction to the school
14 districts of the county where such pupils attend
15 school regardless of residence of such pupil, provided
16 the school district makes an ad valorem tax levy of
17 fifteen (15) mills for the current year and maintains
18 twelve (12) years of instruction;

19 2. For all monies collected from the tax levied on natural gas
20 and/or casinghead gas at a tax rate of seven percent (7%) pursuant
21 to the provisions of subsection B of Section 1001 of this title:

22 a. after the total revenue apportioned to the General
23 Revenue Fund as prescribed by subparagraph b of this
24 paragraph equals the moving five-year average amount

1 for gas as defined by paragraph 1 of subsection A of
2 this section, there shall be apportioned from the
3 gross production tax levy imposed pursuant to Section
4 1001 of this title on natural gas and/or casinghead
5 gas to the Revenue Stabilization Fund created by
6 Section 1 of this act, the amount of revenue, if any,
7 which exceeds the moving five-year average amount for
8 gas as defined pursuant to paragraph 1 of subsection A
9 of this section,

10 b. until the apportionment to the General Revenue Fund
11 equals the moving five-year average amount for gas as
12 prescribed by paragraph 1 of subsection A of this
13 section, eighty-five and seventy-two one-hundredths
14 percent (85.72%) shall be paid to the State Treasurer
15 of the state to be placed in the General Revenue Fund
16 of the state and used for the general expense of state
17 government, to be paid out pursuant to direct
18 appropriation by the Legislature,

19 c. before any other apportionment of revenue has been
20 made pursuant to this paragraph, seven and fourteen
21 one-hundredths percent (7.14%) of the sum collected
22 from natural gas and/or casinghead gas shall be paid
23 to the various county treasurers to be credited to the
24 County Highway Fund as follows: Each county shall

1 receive a proportionate share of the funds available
2 based upon the proportion of the total value of
3 production from such county in the corresponding month
4 of the preceding year, and

- 5 d. before any other apportionment of revenue has been
6 made pursuant to this paragraph, seven and fourteen
7 one-hundredths percent (7.14%) shall be allocated to
8 each county as provided for in subparagraph c of this
9 paragraph and shall be apportioned, on an average
10 daily attendance per capita distribution basis, as
11 certified by the State Superintendent of Public
12 Instruction to the school districts of the county
13 where such pupils attend school regardless of
14 residence of such pupil, provided the school district
15 makes an ad valorem tax levy of fifteen (15) mills for
16 the current year and maintains twelve (12) years of
17 instruction;

18 3. For all monies collected from the tax levied on natural gas
19 and/or casinghead gas at a tax rate of four percent (4%) pursuant to
20 the provisions of ~~subsection~~ subsections B and E of Section 1001 of
21 this title:

- 22 a. after the total revenue apportioned to the General
23 Revenue Fund as prescribed by subparagraph b of this
24 paragraph equals the moving five-year average amount

1 for gas as defined by paragraph 1 of subsection A of
2 this section, there shall be apportioned from the
3 gross production tax levy imposed pursuant to Section
4 1001 of this title on natural gas and/or casinghead
5 gas to the Revenue Stabilization Fund created pursuant
6 to Section 1 of this act, the amount of revenue, if
7 any, which exceeds the moving five-year average amount
8 for gas as defined pursuant to paragraph 1 of
9 subsection A of this section,

10 b. until the apportionment to the General Revenue Fund
11 equals the moving five-year average amount for gas as
12 prescribed by paragraph 1 of subsection A of this
13 section, seventy-five percent (75%) shall be paid to
14 the State Treasurer of the state to be placed in the
15 General Revenue Fund of the state and used for the
16 general expense of state government, to be paid out
17 pursuant to direct appropriation by the Legislature,

18 c. before any other apportionment of revenue has been
19 made pursuant to this paragraph, twelve and one-half
20 percent (12.5%) of the sum collected from natural gas
21 and/or casinghead gas shall be paid to the various
22 county treasurers to be credited to the County Highway
23 Fund as follows: Each county shall receive a
24 proportionate share of the funds available based upon

1 the proportion of the total value of production from
2 such county in the corresponding month of the
3 preceding year, and

4 d. before any other apportionment of revenue has been
5 made pursuant to this paragraph, twelve and one-half
6 percent (12.5%) shall be allocated to each county as
7 provided for in subparagraph c of this paragraph and
8 shall be apportioned, on an average daily attendance
9 per capita distribution basis, as certified by the
10 State Superintendent of Public Instruction to the
11 school districts of the county where such pupils
12 attend school regardless of residence of such pupil,
13 provided the school district makes an ad valorem tax
14 levy of fifteen (15) mills for the current year and
15 maintains twelve (12) years of instruction;

16 4. For all monies collected from the tax levied on natural gas
17 and/or casinghead gas at a tax rate of one percent (1%) pursuant to
18 the provisions of subsection B of Section 1001 of this title:

19 a. fifty percent (50%) of the sum collected from natural
20 gas and/or casinghead gas shall be paid to the various
21 county treasurers to be credited to the County Highway
22 Fund as follows: Each county shall receive a
23 proportionate share of the funds available based upon
24 the proportion of the total value of production from

1 such county in the corresponding month of the
2 preceding year, and

- 3 b. fifty percent (50%) shall be allocated to each county
4 as provided for in subparagraph a of this paragraph
5 and shall be apportioned, on an average daily
6 attendance per capita distribution basis, as certified
7 by the State Superintendent of Public Instruction to
8 the school districts of the county where such pupils
9 attend school regardless of residence of such pupil,
10 provided the school district makes an ad valorem tax
11 levy of fifteen (15) mills for the current year and
12 maintains twelve (12) years of instruction;

13 5. For all monies collected from the tax levied on natural gas
14 and/or casinghead gas at a tax rate of two percent (2%) pursuant to
15 the provisions of subparagraph c of paragraph 3 of subsection B of
16 Section 1001 of this title:

- 17 a. after the total revenue apportioned to the General
18 Revenue Fund as prescribed by subparagraph b of this
19 paragraph equals the moving five-year average amount
20 for gas as defined by paragraph 1 of subsection A of
21 this section, there shall be apportioned from the
22 gross production tax levy imposed pursuant to Section
23 1001 of this title on gas to the Revenue Stabilization
24 Fund created by Section 1 of this act, the amount of

1 revenue, if any, which exceeds the moving five-year
2 average amount for natural gas and/or casinghead gas
3 as defined pursuant to paragraph 1 of subsection A of
4 this section,

5 b. until the apportionment to the General Revenue Fund
6 equals the moving five-year average amount for gas as
7 prescribed by paragraph 1 of subsection A of this
8 section, fifty percent (50%) shall be paid to the
9 State Treasurer to be placed in the General Revenue
10 Fund of the state and used for the general expense of
11 state government, to be paid out pursuant to direct
12 appropriation by the Legislature,

13 c. before any other apportionment of revenue has been
14 made pursuant to this paragraph, twenty-five percent
15 (25%) of the sum collected from natural gas and/or
16 casinghead gas shall be paid to the various county
17 treasurers to be credited to the County Highway Fund
18 as follows: Each county shall receive a proportionate
19 share of the funds available based upon the proportion
20 of the total value of production from such county in
21 the corresponding month of the preceding year, and

22 d. before any other apportionment of revenue has been
23 made pursuant to this paragraph, twenty-five percent
24 (25%) shall be allocated to each county as provided

1 for in subparagraph c of this paragraph and shall be
2 apportioned on an average daily attendance per capita
3 distribution basis, as certified by the State
4 Superintendent of Public Instruction, to the school
5 districts of the county where such pupils attend
6 school regardless of residence of such pupil, provided
7 the school district makes an ad valorem tax levy of
8 fifteen (15) mills for the current year and maintains
9 twelve (12) years of instruction;

10 6. For all monies collected from the tax levied on oil at a tax
11 rate of seven percent (7%) pursuant to the provisions of subsection
12 B of Section 1001 of this title:

13 a. there shall be apportioned from the gross production
14 tax levy imposed pursuant to Section 1001 of this
15 title on oil to the Revenue Stabilization Fund created
16 by Section 1 of this act, after the applicable maximum
17 amount prescribed by subsection C of this section has
18 been deposited to the funds therein specified, the
19 amount of revenue, if any, which would otherwise be
20 apportioned to the General Revenue Fund and which
21 exceeds the moving five-year average amount for oil as
22 defined pursuant to paragraph 2 of subsection A of
23 this section,
24

- 1 b. before any other apportionment of revenue has been
2 made pursuant to this paragraph, twenty-five and
3 seventy-two one-hundredths percent (25.72%) shall be
4 paid to the State Treasurer to be placed in the Common
5 Education Technology Revolving Fund created in Section
6 34.90 of Title 62 of the Oklahoma Statutes,
- 7 c. before any other apportionment of revenue has been
8 made pursuant to this paragraph, twenty-five and
9 seventy-two one-hundredths percent (25.72%) shall be
10 paid to the State Treasurer to be placed in the Higher
11 Education Capital Revolving Fund created in Section
12 34.91 of Title 62 of the Oklahoma Statutes,
- 13 d. before any other apportionment of revenue has been
14 made pursuant to this paragraph, twenty-five and
15 seventy-two one-hundredths percent (25.72%) shall be
16 paid to the State Treasurer to be placed in the
17 Oklahoma Student Aid Revolving Fund created in Section
18 34.92 of Title 62 of the Oklahoma Statutes,
- 19 e. before any other apportionment of revenue has been
20 made pursuant to this paragraph, three and seven
21 hundred forty-five one-thousandths percent (3.745%)
22 shall be distributed to the various counties of the
23 state for deposit into the County Bridge and Road
24 Improvement Fund of each county based on a formula

1 developed by the Department of Transportation and
2 approved by the Department of Transportation County
3 Advisory Board created pursuant to Section 302.1 of
4 Title 69 of the Oklahoma Statutes to be used for the
5 purposes set forth in the County Bridge and Road
6 Improvement Act. The formula shall be similar to the
7 formula currently used for the distribution of monies
8 in the County Bridge Program funds, but shall also
9 take into consideration the effect of the terrain and
10 traffic volume as related to county road improvement
11 and maintenance costs,

12 f. before any other apportionment of revenue has been
13 made pursuant to this paragraph, four and twenty-eight
14 one-hundredths percent (4.28%) shall be paid to the
15 State Treasurer to be apportioned to:

16 (1) the following sources and in the following
17 amounts through the fiscal year ending June 30,
18 2019:

19 (a) thirty-three and one-third percent (33 1/3%)
20 to the Oklahoma Tourism and Recreation
21 Department Capital Expenditure Revolving
22 Fund created pursuant to Section 2254.1 of
23 Title 74 of the Oklahoma Statutes,
24

1 (b) thirty-three and one-third percent (33 1/3%)
2 to the Oklahoma Conservation Commission
3 Infrastructure Revolving Fund created
4 pursuant to Section 3-2-110 of Title 27A of
5 the Oklahoma Statutes, and

6 (c) thirty-three and one-third percent (33 1/3%)
7 to the Community Water Infrastructure
8 Development Revolving Fund created pursuant
9 to Section 1085.7A of Title 82 of the
10 Oklahoma Statutes, and

11 (2) the Oklahoma Water Resources Board Rural Economic
12 Action Plan Water Projects Fund for the fiscal
13 year beginning July 1, 2019, and for each fiscal
14 year thereafter,

15 g. before any other apportionment of revenue has been
16 made pursuant to this paragraph, seven and fourteen
17 one-hundredths percent (7.14%) of the sum collected
18 from oil shall be paid to the various county
19 treasurers, to be credited to the County Highway Fund
20 as follows: Each county shall receive a proportionate
21 share of the funds available based upon the proportion
22 of the total value of production from such county in
23 the corresponding month of the preceding year,
24

1 h. before any other apportionment of revenue has been
2 made pursuant to this paragraph, seven and fourteen
3 one-hundredths percent (7.14%) shall be allocated to
4 each county as provided in subparagraph g of this
5 paragraph and shall be apportioned, on an average
6 daily attendance per capita distribution basis, as
7 certified by the State Superintendent of Public
8 Instruction, to the school districts of the county
9 where such pupils attend school regardless of
10 residence of such pupil, provided the school district
11 makes an ad valorem tax levy of fifteen (15) mills for
12 the current year and maintains twelve (12) years of
13 instruction, and

14 i. before any other apportionment of revenue has been
15 made pursuant to this paragraph, five hundred thirty-
16 five one-thousandths percent (0.535%) of the levy
17 shall be transmitted by the Oklahoma Tax Commission to
18 the Statewide Circuit Engineering District Revolving
19 Fund as created in Section 687.2 of Title 69 of the
20 Oklahoma Statutes;

21 7. For all monies collected from the tax levied on oil at a tax
22 rate of four percent (4%) pursuant to the provisions of ~~subsection~~
23 subsections B and E of Section 1001 of this title:
24

- 1 a. there shall be apportioned from the gross production
2 tax levy imposed pursuant to Section 1001 of this
3 title on oil to the Revenue Stabilization Fund created
4 by Section 1 of this act, after the applicable maximum
5 amount prescribed by subsection C of this section has
6 been deposited to the funds therein specified, the
7 amount of revenue, if any, which would otherwise be
8 apportioned to the General Revenue Fund and which
9 exceeds the moving five-year average amount for oil as
10 defined pursuant to paragraph 2 of subsection A of
11 this section,
- 12 b. before any other apportionment of revenue has been
13 made pursuant to this paragraph, twenty-two and one-
14 half percent (22.5%) shall be paid to the State
15 Treasurer to be placed in the Common Education
16 Technology Revolving Fund created in Section 34.90 of
17 Title 62 of the Oklahoma Statutes,
- 18 c. before any other apportionment of revenue has been
19 made pursuant to this paragraph, twenty-two and one-
20 half percent (22.5%) shall be paid to the State
21 Treasurer to be placed in the Higher Education Capital
22 Revolving Fund created in Section 34.91 of Title 62 of
23 the Oklahoma Statutes,
- 24

1 d. before any other apportionment of revenue has been
2 made pursuant to this paragraph, twenty-two and one-
3 half percent (22.5%) shall be paid to the State
4 Treasurer to be placed in the Oklahoma Student Aid
5 Revolving Fund created in Section 34.92 of Title 62 of
6 the Oklahoma Statutes,

7 e. before any other apportionment of revenue has been
8 made pursuant to this paragraph, three and twenty-
9 eight one-hundredths percent (3.28%) shall be
10 distributed to the various counties of the state for
11 deposit into the County Bridge and Road Improvement
12 Fund of each county based on a formula developed by
13 the Department of Transportation and approved by the
14 Department of Transportation County Advisory Board
15 created pursuant to Section 302.1 of Title 69 of the
16 Oklahoma Statutes to be used for the purposes set
17 forth in the County Bridge and Road Improvement Act.
18 The formula shall be similar to the formula currently
19 used for the distribution of monies in the County
20 Bridge Program funds, but shall also take into
21 consideration the effect of the terrain and traffic
22 volume as related to county road improvement and
23 maintenance costs,

1 f. before any other apportionment of revenue has been
2 made pursuant to this paragraph, three and seventy-
3 five one-hundredths percent (3.75%) shall be paid to
4 the State Treasurer to be apportioned to:

5 (1) the following sources and in the following
6 amounts through the fiscal year ending June 30,
7 2019:

8 (a) thirty-three and one-third percent (33 1/3%)
9 to the Oklahoma Tourism and Recreation
10 Department Capital Expenditure Revolving
11 Fund created pursuant to Section 2254.1 of
12 Title 74 of the Oklahoma Statutes,

13 (b) thirty-three and one-third percent (33 1/3%)
14 to the Oklahoma Conservation Commission
15 Infrastructure Revolving Fund created
16 pursuant to Section 3-2-110 of Title 27A of
17 the Oklahoma Statutes, and

18 (c) thirty-three and one-third percent (33 1/3%)
19 to the Community Water Infrastructure
20 Development Revolving Fund created pursuant
21 to Section 1085.7A of Title 82 of the
22 Oklahoma Statutes, and

23 (2) the Oklahoma Water Resources Board Rural Economic
24 Action Plan Water Projects Fund for the fiscal

1 year beginning July 1, 2019, and for each fiscal
2 year thereafter,

3 g. before any other apportionment of revenue has been
4 made pursuant to this paragraph, twelve and one-half
5 percent (12.5%) of the sum collected from oil shall be
6 paid to the various county treasurers, to be credited
7 to the County Highway Fund as follows: Each county
8 shall receive a proportionate share of the funds
9 available based upon the proportion of the total value
10 of production from such county in the corresponding
11 month of the preceding year,

12 h. before any other apportionment of revenue has been
13 made pursuant to this paragraph, twelve and one-half
14 percent (12.5%) shall be allocated to each county as
15 provided in subparagraph g of this paragraph and shall
16 be apportioned on an average daily attendance per
17 capita distribution basis, as certified by the State
18 Superintendent of Public Instruction, to the school
19 districts of the county where such pupils attend
20 school regardless of residence of such pupil, provided
21 the school district makes an ad valorem tax levy of
22 fifteen (15) mills for the current year and maintains
23 twelve (12) years of instruction, and

24

1 i. before any other apportionment of revenue has been
2 made pursuant to this paragraph, forty-seven one-
3 hundredths percent (0.47%) of the levy shall be
4 transmitted by the Tax Commission to the Statewide
5 Circuit Engineering District Revolving Fund as created
6 in Section 687.2 of Title 69 of the Oklahoma Statutes;

7 8. For all monies collected from the tax levied on oil at a tax
8 rate of one percent (1%) pursuant to the provisions of subsection B
9 of Section 1001 of this title:

10 a. fifty percent (50%) of the sum collected shall be paid
11 to the various county treasurers, to be credited to
12 the County Highway Fund as follows: Each county shall
13 receive a proportionate share of the funds available
14 based upon the proportion of the total value of
15 production from such county in the corresponding month
16 of the preceding year, and

17 b. fifty percent (50%) shall be allocated to each county
18 as provided for in subparagraph a of this paragraph
19 and shall be apportioned on an average daily
20 attendance per capita distribution basis, as certified
21 by the State Superintendent of Public Instruction, to
22 the school districts of the county where such pupils
23 attend school regardless of residence of such pupil,
24 provided the school district makes an ad valorem tax

1 levy of fifteen (15) mills for the current year and
2 maintains twelve (12) years of instruction;

3 9. For all monies collected from the tax levied on oil at a tax
4 rate of two percent (2%) pursuant to the provisions of subparagraph
5 c of paragraph 3 of subsection B of Section 1001 of this title:

6 a. there shall be apportioned from the gross production
7 tax levy imposed pursuant to Section 1001 of this
8 title on oil to the Revenue Stabilization Fund created
9 by Section 1 of this act, the amount of revenue, if
10 any, which exceeds the moving five-year average amount
11 for oil as defined pursuant to paragraph 2 of
12 subsection A of this section,

13 b. until the apportionment to the General Revenue Fund
14 equals the moving five-year average amount for oil as
15 prescribed by paragraph 2 of subsection A of this
16 section, fifty percent (50%) shall be paid to the
17 State Treasurer to be placed in the General Revenue
18 Fund of the state and used for the general expense of
19 state government, to be paid out pursuant to direct
20 appropriation by the Legislature,

21 c. before any other apportionment of revenue has been
22 made pursuant to this paragraph, twenty-five percent
23 (25%) of the sum collected from oil shall be paid to
24 the various county treasurers, to be credited to the

1 County Highway Fund as follows: Each county shall
2 receive a proportionate share of the funds available
3 based upon the proportion of the total value of
4 production from such county in the corresponding month
5 of the preceding year, and

6 d. before any other apportionment of revenue has been
7 made pursuant to this paragraph, twenty-five percent
8 (25%) shall be allocated to each county as provided in
9 subparagraph c of this paragraph and shall be
10 apportioned on an average daily attendance per capita
11 distribution basis, as certified by the State
12 Superintendent of Public Instruction, to the school
13 districts of the county where such pupils attend
14 school regardless of residence of such pupil, provided
15 the school district makes an ad valorem tax levy of
16 fifteen (15) mills for the current year and maintains
17 twelve (12) years of instruction.

18 C. Provided, notwithstanding any other provision of this
19 section, the total amounts deposited to the Common Education
20 Technology Revolving Fund, the Higher Education Capital Revolving
21 Fund, the Oklahoma Student Aid Revolving Fund, the Rural Economic
22 Action Plan Water Projects Fund, the Oklahoma Tourism and Recreation
23 Department Capital Expenditure Revolving Fund, the Oklahoma
24 Conservation Commission Infrastructure Revolving Fund and the

1 Community Water Infrastructure Development Revolving Fund pursuant
2 to paragraphs 6 and 7 of subsection B of this section shall not
3 exceed One Hundred Fifty Million Dollars (\$150,000,000.00) in any
4 fiscal year. Except as otherwise provided in this subsection, all
5 sums in excess of One Hundred Fifty Million Dollars
6 (\$150,000,000.00) in any fiscal year which would otherwise be
7 deposited in such funds shall be apportioned by the Oklahoma Tax
8 Commission to the General Revenue Fund of the state.

9 SECTION 3. This act shall become effective July 1, 2017.

10 SECTION 4. It being immediately necessary for the preservation
11 of the public peace, health or safety, an emergency is hereby
12 declared to exist, by reason whereof this act shall take effect and
13 be in full force from and after its passage and approval.

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15 COMMITTEE REPORT BY: COMMITTEE ON JOINT COMMITTEE ON APPROPRIATIONS
16 AND BUDGET, dated 05/22/2017 - DO PASS, As Amended.

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