

1 STATE OF OKLAHOMA

2 1st Session of the 58th Legislature (2021)

3 SENATE BILL 389

By: Allen

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5
6 AS INTRODUCED

7 An Act relating to taxation; amending 68 O.S. 2011,
8 Section 1001, as last amended by Section 7, Chapter
9 8, 2nd Extraordinary Session, O.S.L. 2018 (68 O.S.
10 Supp. 2020, Section 1001), which relates to gross
11 production tax; modifying rate imposed upon oil and
12 gas; deleting obsolete statutory language; and
13 providing an effective date.

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

15 SECTION 1. AMENDATORY 68 O.S. 2011, Section 1001, as
16 last amended by Section 7, Chapter 8, 2nd Extraordinary Session,
17 O.S.L. 2018 (68 O.S. Supp. 2020, Section 1001), is amended to read
18 as follows:

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

22 B. ~~On or after the effective date of this act and except as~~
23 ~~provided by paragraph 4 of this subsection~~ Effective July 16, 2018,
24 and through December 31, 2021, there shall be levied a tax on the
25 gross value of the production of oil and gas as follows:

1 1. Upon the production of oil a tax equal to seven percent (7%)
2 of the gross value of the production of oil based on a per barrel
3 measurement of forty-two (42) U.S. gallons of two hundred thirty-one
4 (231) cubic inches per gallon, computed at a temperature of sixty
5 (60) degrees Fahrenheit;

6 2. Upon the production of gas a tax equal to seven percent (7%)
7 of the gross value of the production of gas;

8 3. Notwithstanding the levies in paragraphs 1 and 2 of this
9 subsection, the production of oil, gas, or oil and gas from wells
10 spudded prior to ~~the effective date of this act~~ July 16, 2018, and
11 on or after ~~the effective date of this act~~ July 16, 2018, through
12 December 31, 2021, shall be taxed at a rate of five percent (5%)
13 commencing with the month of first production for a period of
14 thirty-six (36) months. Thereafter, the production shall be taxed
15 as provided in paragraphs 1 and 2 of this subsection; and

16 4. ~~If the provisions of Article XIII-C of the Oklahoma~~
17 ~~Constitution are approved by the people pursuant to adoption of~~
18 ~~State Question No. 795, the rate of gross production tax imposed by~~
19 ~~paragraph 3 of this subsection shall be reduced to two percent (2%)~~
20 ~~for the first thirty-six (36) months of production and thereafter~~
21 ~~the rate of taxation shall be seven percent (7%)~~ Beginning January
22 1, 2022, the tax levied pursuant to paragraphs 1 and 2 of this
23 subsection shall be decreased from seven percent (7%) to six percent
24 (6%). Beginning January 1, 2022, the tax levied pursuant to

1 paragraph 3 of this subsection shall be decreased from five percent
2 (5%) to four percent (4%).

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

6 D. The Tax Commission shall have the power to require any such
7 person engaged in mining or the production or the purchase of such
8 asphalt, mineral ores aforesaid, oil, or gas, or the owner of any
9 royalty interest therein to furnish any additional information by it
10 deemed to be necessary for the purpose of correctly computing the
11 amount of the tax; and to examine the books, records and files of
12 such person; and shall have power to conduct hearings and compel the
13 attendance of witnesses, and the production of books, records and
14 papers of any person.

15 E. Any person or any member of any firm or association, or any
16 officer, official, agent or employee of any corporation who shall
17 fail or refuse to testify; or who shall fail or refuse to produce
18 any books, records or papers which the Tax Commission shall require;
19 or who shall fail or refuse to furnish any other evidence or
20 information which the Tax Commission may require; or who shall fail
21 or refuse to answer any competent questions which may be put to him
22 or her by the Tax Commission, touching the business, property,
23 assets or effects of any such person relating to the gross
24 production tax imposed by this article or exemption authorized

1 pursuant to this section or other laws, shall be guilty of a
2 misdemeanor, and, upon conviction thereof, shall be punished by a
3 fine of not more than Five Hundred Dollars (\$500.00), or
4 imprisonment in the jail of the county where such offense shall have
5 been committed, for not more than one (1) year, or by both such fine
6 and imprisonment; and each day of such refusal on the part of such
7 person shall constitute a separate and distinct offense.

8 F. The Tax Commission shall have the power and authority to
9 ascertain and determine whether or not any report herein required to
10 be filed with it is a true and correct report of the gross products,
11 and of the value thereof, of such person engaged in the mining or
12 production or purchase of asphalt and ores bearing minerals
13 aforesaid and of oil and gas. If any person has made an untrue or
14 incorrect report of the gross production or value or volume thereof,
15 or shall have failed or refused to make such report, the Tax
16 Commission shall, under the rules prescribed by it, ascertain the
17 correct amount of either, and compute the tax.

18 G. The payment of the taxes herein levied shall be in full, and
19 in lieu of all taxes by the state, counties, cities, towns, school
20 districts and other municipalities upon any property rights attached
21 to or inherent in the right to the minerals, upon producing leases
22 for the mining of asphalt and ores bearing lead, zinc, jack or
23 copper, or for oil, or for gas, upon the mineral rights and
24 privileges for the minerals aforesaid belonging or appertaining to

1 land, upon the machinery, appliances and equipment used in and
2 around any well producing oil, or gas, or any mine producing asphalt
3 or any of the mineral ores aforesaid and actually used in the
4 operation of such well or mine. The payment of gross production tax
5 shall also be in lieu of all taxes upon the oil, gas, asphalt or
6 ores bearing minerals hereinbefore mentioned during the tax year in
7 which the same is produced, and upon any investment in any of the
8 leases, rights, privileges, minerals or other property described
9 herein. Any interest in the land, other than that herein
10 enumerated, and oil in storage, asphalt and ores bearing minerals
11 hereinbefore named, mined, produced and on hand at the date as of
12 which property is assessed for general and ad valorem taxation for
13 any subsequent tax year, shall be assessed and taxed as other
14 property within the taxing district in which such property is
15 situated at the time.

16 H. No equipment, material or property shall be exempt from the
17 payment of ad valorem tax by reason of the payment of the gross
18 production tax except such equipment, machinery, tools, material or
19 property as is actually necessary and being used and in use in the
20 production of asphalt or of ores bearing lead, zinc, jack or copper
21 or of oil or gas. Provided, the exemption shall include the
22 wellbore and non-recoverable down-hole material, including casing,
23 actually used in the disposal of waste materials produced with such
24 oil or gas. It is expressly declared that no ice plants, hospitals,

1 office buildings, garages, residences, gasoline extraction or
2 absorption plants, water systems, fuel systems, rooming houses and
3 other buildings, nor any equipment or material used in connection
4 therewith, shall be exempt from ad valorem tax.

5 SECTION 2. This act shall become effective January 1, 2022.

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