BILL SUMMARY

1st Session of the 58th Legislature

Bill No.:	**HB 2389**
Version:	**INT**
Request Number:	**7256**
Author:	**Rep. Boles**
Date:	**2/10/2021**
Impact:	**Tax Commission:**

Revenue Neutral Between Counties and Municipalities

Amount is Unknown

Research Analysis

Pending

Prepared By: House Research Staff

Fiscal Analysis

From the Tax Commission:

Currently, 10% and 7.14% of monies collected from oil and natural gas at the 5% and 7% tax rates, respectively, are paid to the various county treasurers to be credited to the County Highway Fund. Each county receives a proportionate share of the funds available based upon the proportion of the total value of production from such county in the corresponding month of the preceding year. This calculation creates a 12-14 month lag between production occurring and a county receiving funds (there is a two month lag between production and reporting of gross production tax in addition to this 12 month look back period). Similarly, 3.28% and 3.745% of the monies collected from oil at the 5% and 7% tax rates, respectively, are distributed to the various counties of the state for deposit into the County Bridge and Road Improvement Fund. Such distributions are based on a formula developed by the Department of Transportation and take into consideration the effect of the terrain and traffic volume as related to county road improvement and maintenance costs.

HB 2389 proposes the apportionment outlined above shall be divided between the city or municipality and the county for any gross production tax received from wells spudded on or after September 1, 2021, when the well is located inside the corporate limits of a city or town. Under this proposed measure, the 10% and 7.14% of gross production tax revenues received from an oil or natural gas well as described above, that meets the proposed criteria, will be apportioned two thirds to the County Highway Fund and one third to the general fund of the city or town where the well is located. Additionally, under this proposed measure, the 3.28% and 3.745% of gross production tax revenues received from an oil well as described above, that meets the proposed criteria, will be apportioned two thirds to the County Bridge and Road Improvement Fund and one third to the general fund of the city of town where the well is located. If a well does not meet the proposed criteria, there is no change to the apportionment.

At this time the Oklahoma Tax Commission does not track well or production data on a city or municipality basis, therefore, an estimated impact is not available. There will be a revenue net neutral impact associated with HB 2389 as the increase in funds to the city or municipalities will be equally offset by the decrease in funds to the county. HB 2389 will have a minimal administrative impact as the Oklahoma Tax Commission will need to change forms and data collection systems to track wells and production on a city or municipality basis moving forward.

Prepared By: Mark Tygret

Other Considerations

None.