

1 STATE OF OKLAHOMA

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

3 HOUSE BILL 2390

By: Boles

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5  
6 AS INTRODUCED

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

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

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

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

21 B. On or after the effective date of this act ~~and except as~~  
22 ~~provided by paragraph 4 of this subsection~~, there shall be levied a  
23 tax on the gross value of the production of oil and gas as follows:  
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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; and

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, and on or after the  
11 effective date of this act, shall be taxed at a rate of five percent  
12 (5%) commencing with the month of first production for a period of  
13 thirty-six (36) months. Thereafter, the production shall be taxed  
14 as provided in paragraphs 1 and 2 of this subsection; ~~and~~

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

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

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

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

1 and imprisonment; and each day of such refusal on the part of such  
2 person shall constitute a separate and distinct offense.

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

13 G. The payment of the taxes herein levied shall be in full, and  
14 in lieu of all taxes by the state, counties, cities, towns, school  
15 districts and other municipalities upon any property rights attached  
16 to or inherent in the right to the minerals, upon producing leases  
17 for the mining of asphalt and ores bearing lead, zinc, jack or  
18 copper, or for oil, or for gas, upon the mineral rights and  
19 privileges for the minerals aforesaid belonging or appertaining to  
20 land, upon the machinery, appliances and equipment used in and  
21 around any well producing oil, or gas, or any mine producing asphalt  
22 or any of the mineral ores aforesaid and actually used in the  
23 operation of such well or mine. The payment of gross production tax  
24 shall also be in lieu of all taxes upon the oil, gas, asphalt or

1 ores bearing minerals hereinbefore mentioned during the tax year in  
2 which the same is produced, and upon any investment in any of the  
3 leases, rights, privileges, minerals or other property described  
4 herein. Any interest in the land, other than that herein  
5 enumerated, and oil in storage, asphalt and ores bearing minerals  
6 hereinbefore named, mined, produced and on hand at the date as of  
7 which property is assessed for general and ad valorem taxation for  
8 any subsequent tax year, shall be assessed and taxed as other  
9 property within the taxing district in which such property is  
10 situated at the time.

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

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SECTION 2. This act shall become effective November 1, 2021.

58-1-6048            AQH            12/31/20