An Act

ENROLLED HOUSE
BILL NO. 2774

By: McCall of the House

and

Smalley of the Senate

An Act relating to revenue and taxation; amending 68 O.S. 2011, Sections 1003 and 1005, which relate to gross production tax administration; modifying procedures with respect to monies held by the Oklahoma Tax Commission from tax imposed on certain unknown sources; providing for payment to royalty owners under certain circumstances; providing for apportionment of revenue amount under certain circumstances; modifying reporting duties of certain transporters; repealing 68 O.S. 2011, Section 1016, which relates to distribution of certain gross production tax proceeds to the General Revenue Fund; providing an effective date; and declaring an emergency.

SUBJECT: Gross production tax

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

SECTION 1. AMENDATORY 68 O.S. 2011, Section 1003, is amended to read as follows:

Section 1003. A. It shall be the duty of the Oklahoma Tax Commission to collect, in addition to the gross production tax, twelve and one-half percent (12 1/2%) of the gross value of all oil reported to the Tax Commission as recovered from streams, lakes, ponds, ravines and other natural depressions to which oil shall have escaped or therein was found and twelve and one-half percent (12 1/2%) of the gross value of all oil which is reported to the Tax Commission and which report does not disclose the actual source of the oil. ~~The Tax Commission shall hold the proceeds thereof for twelve (12) months in its depository account with the State~~

~~Treasurer, during which time~~ In the event the rightful owner or owners of the royalty interest therein~~, upon proper application and~~ provide satisfactory proof ~~made~~ of mineral ownership to the Tax Commission within twelve (12) months of when the tax payment was received by the Tax Commission, such royalty interest owners~~,~~ shall be paid their proper interest or interests ~~out of the depository account~~. Otherwise, the Tax Commission shall~~, after the lapse of one (1) year from the collection of any such sum,~~ distribute ~~the same~~ such sum as provided by law for the distribution of gross production taxes.

B. For purposes of this section, "actual source" shall be the well or wells and particular leasehold from which the oil was produced.

C. The operators of salt water disposal facilities shall be required to pay to the Tax Commission the fee of twelve and one-half percent (12 1/2%) as required by this section on the amount of oil recovered in excess of two percent (2%) of the volume of water handled.

SECTION 2. AMENDATORY 68 O.S. 2011, Section 1005, is amended to read as follows:

Section 1005. (a) ~~It shall be the duty of~~ Upon request of the Tax Commission, every railroad company, pipeline or transportation company ~~to furnish to the Tax Commission~~ shall provide, upon forms prescribed by it, any and all information relative to the transportation of crude oil or gas subject to gross production tax, that may be required to properly enforce the provisions of this article; and such reports shall contain, along with other information required, the name of shipper, amount of oil and gas transported, point of receipt of shipment and point of destination. The Tax Commission may require any such pipeline or transportation company to install suitable measuring devices to enable such company to include in such reports the quantity of oil or gas transported within, into, out of, or across the State of Oklahoma.

(b) It shall be the duty of every person engaged in the operation of a refinery for the processing of oil or gas in the State of Oklahoma to furnish monthly to the Tax Commission, upon forms prescribed by it, any and all information relative to the amount of oil or gas subject to gross production tax that has been processed by it during such monthly period, and oil on hand at the

close of such period, that may be required to properly enforce the provisions of this article.

(c) It shall be the duty of every person engaged in the selling, purchasing, treating or transporting of tank bottoms, pit oil or liquid hydrocarbons from which petroleum oil is extracted, to furnish monthly a report to the Tax Commission, upon forms prescribed by it, any and all information relative to the selling, purchasing, treating or transporting of all tank bottoms, pit oil or liquid hydrocarbons that may be required to properly enforce the provisions of this article.

(d) It shall be the duty of every person engaged in the purchasing or storing of oil subject to gross production tax in the State of Oklahoma to furnish monthly a report to the Tax Commission, upon forms prescribed by it, showing the amount of such oil in storage, giving, along with other information required, the location, identity, character and capacity of the storage receptacle in which such oil is stored.

(e) All reports required by this article shall become due on the first day of each calendar month on all lead, zinc, jack, ~~gold, silver or~~ copper, petroleum oil, tank bottoms, pit oil and liquid hydrocarbons from which petroleum oil is extracted, natural gas or casinghead gas produced in and saved during the preceding monthly period, and if such reports are not received on or before the tenth day of the calendar month following the month such reports become due, the reports shall become delinquent. The failure of any person to comply with the provisions of this section shall make any such person liable for a penalty, in accordance with Section 1010 of this title, for each day it shall fail or refuse to furnish such statement or comply with the provisions of this article. Such penalty may be recovered at the suit of the state, on relation of the Tax Commission and shall be apportioned as other gross production tax penalties.

SECTION 3. REPEALER 68 O.S. 2011, Section 1016, is hereby repealed.

SECTION 4. This act shall become effective July 1, 2016.

SECTION 5. It being immediately necessary for the preservation of the public peace, health and safety, an emergency is hereby declared to exist, by reason whereof this act shall take effect and be in full force from and after its passage and approval.

Passed the House of Representatives the 10th day of March, 2016.

Presiding Officer of the House of Representatives

Passed the Senate the 13th day of April, 2016.

Presiding Officer of the Senate

OFFICE OF THE GOVERNOR

Received by the Office of the Governor this 14th day of April, 2016, at 1:59 o'clock P M.

By: Audrey Rockwell

Approved by the Governor of the State of Oklahoma this 20th day of April, 2016, at 4:08 o'clock P M.

Governor of the State of Oklahoma

OFFICE OF THE SECRETARY OF STATE

Received by the Office of the Secretary of State this _____ day of _____, 20_____, at _____ o'clock _____ M.

By: Chris Benge