OKLAHOMA TAX COMMISSION

TAX POLICY AND RESEARCH DIVISION
TONY MASTIN, DIRECTOR

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September 2, 2004

Our File No. LR-04-146, (Gross Production Tax) Incentive information.

Dear

This letter is in response to your request for information regarding Oklahoma's oil and gas tax incentives.

I have reviewed the copy of information on Oklahoma incentives from the 2003 edition of "Investments in Energy Security" that you provided. The only statutory change passed this last session effecting Oklahoma's Gross Production Tax incentives was to extend the sunset provision on the variable rate tax on oil from June 30, 2004 to June 30, 2007.

Listed below is a summary of Bills passed last session that affected Oklahoma Gross Production Tax.

SB 1081
Sections 1,2 & 3

Bill changes the date by which Gross Production Tax payment and report become delinquent. Originally Gross Production Tax was to be remitted to the Tax Commission by the last day of the month following the month oil and gas is produced for tax purposes. The bill changes the remittance date to the twenty-fifth (25th) day of the second month following production.

Originally the Gross Production Tax report was to be postmarked no later than the tenth (10th) day of the second month following production. The bill changes the report date to the twenty-fifth (25th) day of the second month following production.

Changing the payment and reporting due dates allows industry more time to compile production and sales information that would ensure more accurate tax reporting.

Section 4

In order to offset any revenue impact that would result from moving the payment and reporting date back, the bill provides for a one time payment of Gross Production Tax that would be based on the average remittance of Gross Production Tax for a previous period of either six (6) or twelve (12) months, to be paid by each company remitting Gross Production Tax. Companies required to remit the one time estimated payment would be allowed to reduce their surety by the amount of such payment.

SB 1253
Bill amended 68 O.S. Sec. 1001, extending the sunset provision on the variable rate Gross Production Tax from June 30, 2004 to June 30, 2007.

Extending the sunset provides for Gross Production Tax to be levied at a graduated rate based on the monthly average price of crude oil as determined by the Tax Commission. The tax rate is levied at 1% whenever the monthly average price of oil is below $14.00 per barrel, and levied at 4% whenever the monthly average price is equal to $14.00 but less than $17.00. If the average price is equal to or greater than $17.00 per barrel the tax rate is levied at 7%.

Attached is the second page of your survey that I completed as it applies to each of the existing incentives. If you should have any questions or need additional information you may contact me at 521-5739.

Sincerely,

OKLAHOMA TAX COMMISSION

Mark Hendrix
Tax Policy Analyst