OKLAHOMA TAX COMMISSION

TAX POLICY DIVISION
RICK MILLER, DIRECTOR

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June 16, 2016

Re: LR-16-001 (Oil & Gas Royalties inquiry)

Dear

This is in response to your request for a determination of whether oil and gas royalties are considered Oklahoma source income. Set forth verbatim are the facts presented in your correspondence of December 4, 2015, along with the question posed and our response thereto.

Facts and Question:

I would like to know if oil and gas royalties from a well located the state of Texas that are paid by an Oklahoma corporation (who subleased the mineral rights from a Texas corporation) are considered Oklahoma source income to a non-resident of Oklahoma.

Response:

Oklahoma Administrative Code Rule 710:50-3-53 states, "[A]ny remitter who distributes revenue to a non-resident royalty interest owner is required to deduct and withhold Oklahoma income tax from each payment being made with respect to production of oil and gas in Oklahoma." Since the well is not being produced in Texas, any royalties from the oil and gas produced by the well is not considered Oklahoma source income.

Attached are copies of the above-referenced Oklahoma Tax Commission administrative rule provision.

This response applies only to the circumstances discussed in your request of December 4, 2015. Pursuant to Oklahoma Administrative Code 710:1-3-73(e), this Letter Ruling may be generally relied upon only by the entity to whom it is issued, assuming that all pertinent facts have been accurately and completely stated, and there has been no change in applicable law.

Sincerely,

OKLAHOMA TAX COMMISSION

Morgan E. Lankford

Morgan E. Lankford
Tax Policy Analyst