

STATE OF OKLAHOMA

1st Session of the 60th Legislature (2025)

SENATE BILL 298

By: Prieto

AS INTRODUCED

An Act relating to taxation; amending 68 O.S. 2021, Section 1001, as amended by Section 8, Chapter 346, O.S.L. 2022 (68 O.S. Supp. 2024, Section 1001), which relates to gross production tax on certain interests; providing exemption; defining term; requiring exemption to be made through issuance of refund; prescribing requirements to claim refund; updating statutory language; and providing an effective date.

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

SECTION 1. AMENDATORY 68 O.S. 2021, Section 1001, as amended by Section 8, Chapter 346, O.S.L. 2022 (68 O.S. Supp. 2024, Section 1001), is amended to read as follows:

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

B. On or after ~~the effective date of this act~~ July 18, 2018, and except as provided by paragraph 4 of this subsection, there shall be levied a tax on the gross value of the production of oil and gas as follows:

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;

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~~ July 18, 2018, and  
11 on or after ~~the effective date of this act~~ July 18, 2018, shall be  
12 taxed at a rate of five percent (5%) commencing with the month of  
13 first production for a period of thirty-six (36) months.  
14 Thereafter, the production shall be taxed as provided in paragraphs  
15 1 and 2 of this subsection; and

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

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

1 D. 1. Except as otherwise provided in this section, for  
2 secondary and tertiary recovery projects approved or having an  
3 initial project start date on or after July 1, 2022, all production  
4 which results from such secondary and tertiary recovery projects  
5 shall be exempt from the gross production tax levied pursuant to  
6 this section for a period not to exceed five (5) years from the  
7 initial project start date or for a period ending upon the  
8 termination of the secondary and tertiary recovery process,  
9 whichever occurs first.

10 2. For purposes of this subsection, "project start date" means  
11 the date on which the injection of liquids, gases, or other matter  
12 begins on an enhanced recovery project.

13 3. For new secondary and tertiary recovery projects approved by  
14 the ~~Oklahoma~~ Corporation Commission on or after July 1, 2022, such  
15 approval shall constitute qualification for an exemption.

16 4. For all production exempted pursuant to this subsection, a  
17 refund against gross production taxes shall be issued as provided in  
18 subsection F of this section.

19 E. Except as otherwise provided by this section, the production  
20 of oil, gas, or oil and gas from wells drilled but not completed as  
21 of July 1, 2021, which are completed with the use of recycled water  
22 on or after July 1, 2022, shall earn an exemption from the gross  
23 production tax levied from the date of first sales for a period of  
24 twenty-four (24) months. The exemption provided in this subsection

1 shall be proportional to the percentage of the total amount of water  
2 used to complete the well that is recycled water. For all  
3 production exempted pursuant to this subsection, a refund against  
4 gross production taxes shall be issued as provided in subsection F  
5 of this section. For purposes of this subsection, "recycled water"  
6 means oil and gas produced water and waste that has been  
7 reconditioned or treated by mechanical or chemical processes into a  
8 reusable form.

9 F. On or after July 1, 2022, for all oil and gas production  
10 exempt from gross production taxes pursuant to subsections D and E  
11 of this section during a given fiscal year, a refund of gross  
12 production taxes shall be issued to the well operator or a designee  
13 in the amount of such exempted gross production taxes paid during  
14 such period, subject to the following provisions:

15 1. A refund shall not be claimed until after the end of the  
16 fiscal year. As used in this subsection, a fiscal year shall be  
17 deemed to begin on July 1 of one calendar year and shall end on June  
18 30 of the subsequent calendar year;

19 2. Unless otherwise specified, no claims for refunds pursuant  
20 to the provisions of this subsection shall be filed more than  
21 eighteen (18) months after the first day of the fiscal year in which  
22 the refund is first available;

23 3. Any person claiming a refund pursuant to the exemption  
24 provided in subsections D and E of this section shall file an  
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1 application with the Oklahoma Tax Commission which, upon  
2 determination of qualification by the Corporation Commission, shall  
3 approve the application for such exemption;

4 4. The Tax Commission may require any person claiming a refund  
5 pursuant to the exemptions provided in subsections D and E of this  
6 section to furnish information or records concerning the exemption  
7 as is deemed necessary by the Tax Commission;

8 5. No claims for refunds pursuant to the provisions of this  
9 subsection shall be filed by or on behalf of persons other than the  
10 operator or a working interest owner of record at the time of  
11 production;

12 6. No entity, including subsidiaries of the entity, shall be  
13 authorized to receive refunds claimed pursuant to the exemption  
14 provided in subsection D of this section that exceed twenty percent  
15 (20%) of the limitation provided in paragraph 7 of this subsection;  
16 and

17 7. The total amount of refunds authorized shall not exceed  
18 Fifteen Million Dollars (\$15,000,000.00) pursuant to the exemption  
19 provided in subsection D of this section and Ten Million Dollars  
20 (\$10,000,000.00) pursuant to the exemption provided in subsection E  
21 of this section for any fiscal year. If the amount of claims for  
22 refunds exceed the limits provided in this paragraph, the Tax  
23 Commission shall determine the percentage of the refund which  
24 establishes the proportionate share of the refund which may be

1 claimed by any taxpayer so that the maximum amounts authorized by  
2 this paragraph are not exceeded.

3 G. On or after July 1, 2022, all persons shall only be entitled  
4 to either the exemption granted pursuant to subsection D or E of  
5 this section for each oil, gas, or oil and gas well drilled or  
6 recompleted in this state. However, any person who qualifies for  
7 the exemption granted pursuant to subsection E of this section shall  
8 not be prohibited from qualification for the exemption granted  
9 pursuant to subsection D of this section if the exemption granted  
10 pursuant to subsection E of this section has expired.

11 H. 1. Upon the effective date of this act, the production of  
12 oil, gas, or oil and gas used to generate electricity to supply  
13 microgrids shall earn an exemption from fifty percent (50%) of the  
14 gross production tax levied pursuant to subsection B of this  
15 section;

16 2. For the purposes of this subsection, "microgrid" means a  
17 group of interconnected loads and distributed energy resources  
18 within clearly defined electrical boundaries that acts as a single  
19 controllable entity with respect to the electric grid and can  
20 connect and disconnect from the electric grid to enable the  
21 microgrid to operate in both electric grid-connected mode and non-  
22 grid-connected mode; and

23 3. For all oil and gas production exempt from the portion of  
24 gross production taxes levied pursuant to this subsection during a

1 given fiscal year, a refund of gross production taxes shall be  
2 issued to the well operator or a designee in the amount of the  
3 exempted gross production taxes paid during the period, subject to  
4 the following provisions:

5 a. a refund shall not be claimed until after the end of  
6 the fiscal year,

7 b. any person claiming a refund pursuant to the exemption  
8 provided in this subsection shall file an application  
9 with the Tax Commission which, upon determination of  
10 qualification, shall approve the application for the  
11 exemption,

12 c. the Tax Commission may require any person claiming a  
13 refund pursuant to the exemptions provided in this  
14 subsection to furnish information or records  
15 concerning the exemption as is deemed necessary by the  
16 Tax Commission, and

17 d. no claims for refunds pursuant to the provisions of  
18 this subsection shall be filed by or on behalf of  
19 persons other than the operator or a working interest  
20 owner of record at the time of production.

21 I. The Tax Commission shall have the power to require any such  
22 person engaged in mining or the production or the purchase of such  
23 asphalt, mineral ores aforesaid, oil, or gas, or the owner of any  
24 royalty interest therein to furnish any additional information by it

1 deemed to be necessary for the purpose of correctly computing the  
2 amount of the tax; and to examine the books, records and files of  
3 such person; and shall have power to conduct hearings and compel the  
4 attendance of witnesses, and the production of books, records and  
5 papers of any person.

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

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

9 ~~K.~~ L. The payment of the taxes herein levied shall be in full,  
10 and in lieu of all taxes by the state, counties, cities, towns,  
11 school districts and other municipalities upon any property rights  
12 attached to or inherent in the right to the minerals, upon producing  
13 leases for the mining of asphalt and ores bearing lead, zinc, jack  
14 or copper, or for oil, or for gas, upon the mineral rights and  
15 privileges for the minerals aforesaid belonging or appertaining to  
16 land, upon the machinery, appliances and equipment used in and  
17 around any well producing oil, or gas, or any mine producing asphalt  
18 or any of the mineral ores aforesaid and actually used in the  
19 operation of such well or mine. The payment of gross production tax  
20 shall also be in lieu of all taxes upon the oil, gas, asphalt or  
21 ores bearing minerals hereinbefore mentioned during the tax year in  
22 which the same is produced, and upon any investment in any of the  
23 leases, rights, privileges, minerals or other property described  
24 herein. Any interest in the land, other than that herein

1 enumerated, and oil in storage, asphalt and ores bearing minerals  
2 hereinbefore named, mined, produced and on hand at the date as of  
3 which property is assessed for general and ad valorem taxation for  
4 any subsequent tax year, shall be assessed and taxed as other  
5 property within the taxing district in which such property is  
6 situated at the time.

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

20 SECTION 2. This act shall become effective November 1, 2025.  
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