

FISCAL NOTE

Bill #: SB 519

Title: Revise small stripper oil well tax trigger

Primary

Sponsor: Glenn Roush

Status: Second Reading Amended

Sponsor signature

Date

Chuck Swysgood, Budget Director

Date

Fiscal Summary

	FY2002 Difference	FY2003 Difference
Net Impact on General Fund Balance:	\$0	\$0

<u>Yes</u>	<u>No</u>		<u>Yes</u>	<u>No</u>	
		Significant Local Gov. Impact	X		Technical Concerns
X		Included in the Executive Budget	X		Significant Long-Term Impacts
X		Dedicated Revenue Form Attached	X		Family Impact Form Attached

Fiscal Analysis

ASSUMPTIONS:

1. Under current law, oil wells that produce less than three barrels of oil per day are taxed at lower rates in any quarter when the price of West Texas Intermediate crude oil is less than \$30 per barrel. This bill would make the lower rates apply when the price of West Texas Intermediate is less than \$38 per barrel.
2. The price of West Texas Intermediate is projected to be less than \$30 per barrel throughout the biennium. Thus, the reduced rates will apply under current law as well as under the proposed law.
3. This bill would not have significant administrative impacts on the Department of Revenue.

FISCAL IMPACT:

	FY2002 Difference	FY2003 Difference
<u>Net Impact to Fund Balance (Revenue minus Expenditure):</u>		
General Fund (01)	\$0	\$0

LONG-RANGE IMPACTS:

In any quarter when the average price of West Texas Intermediate is between \$30 and \$38, this bill would reduce the tax rate on working interest production from wells producing less than 3 barrels of oil per day from 12.8% to 0.8%. The value of working interest production from these wells is approximately \$7 million each fiscal year, depending on production and price. In any fiscal year when the price of West Texas Intermediate is between \$30 and \$38, this bill would reduce collections by about \$840,000 (\$7 million x (12.8% - 0.8%)).