

**DRAFT ONLY  
NOT APPROVED FOR  
INTRODUCTION**

HOUSE BILL NO.

Crude oil production tax exemption.

Sponsored by: Joint Minerals, Business & Economic  
Development Interim Committee

A BILL

for

1 AN ACT relating to mine product taxes; providing an  
2 exemption on taxes for the production of crude oil as  
3 specified; requiring reports; and providing for an  
4 effective date.

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6 *Be It Enacted by the Legislature of the State of Wyoming:*

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**STAFF COMMENT**

12 The Committee may wish to consider the following as it  
13 reviews this bill draft:

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- 15 • Whether the exemption applies to all production, or  
16 just production from new wells that are drilled after  
17 the exemption period starts.

- 1 • Whether the bill should specify a time period for the
- 2 price of oil being above \$45 before the exemption is
- 3 triggered (for example, WTI must trade at or above \$45
- 4 for a week before it is triggered) or whether the spot
- 5 price simply reaching \$45 for any period of time
- 6 triggers the exemption.

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11 **Section 1.** W.S. 39-14-204(a)(iii) and (iv) and 39-14-

12 205 by creating new subsections (p) and (q) are amended to

13 read:

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15 **39-14-204. Tax rate.**

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17 (a) Except as otherwise provided by this section and

18 W.S. 39-14-205, the total severance tax on crude oil, lease

19 condensate or natural gas shall be six percent (6%),

20 comprising one and one-half percent (1.5%) imposed by the

21 Wyoming constitution article 15, section 19 and the

22 remaining amount imposed by Wyoming statute. The tax shall

23 be distributed as provided in W.S. 39-14-211 and is imposed

24 as follows:

- 25
- 26 (iii) Two percent (2%), except as provided in
- 27 W.S. 39-14-205(p) and (q); plus

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2

(iv) Two percent (2%), except as provided in W.S.

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39-14-205(n), (p) and (q).

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**39-14-205. Exemptions.**

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7

(p) Production of sweet crude oil is exempt from one-

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half (1/2) of the severance taxes imposed by W.S. 39-14-

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204(a)(iii) and from all of the severance taxes imposed by

10

W.S. 39-14-204(a)(iv) as provided in this subsection. The

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exemption under this subsection shall apply when the West

12

Texas Intermediate (WTI) spot price of sweet crude oil

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reaches forty-five dollars (\$45.00) or more and for twelve

14

(12) months immediately after the spot price reaches forty-

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five dollars (\$45.00) or more. The exemption shall be in

16

accordance with the following:

17

18

(i) The exemption shall be in effect for not more

19

than one (1) twelve (12) month period starting immediately

20

after the West Texas Intermediate (WTI) spot price reaches

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the threshold specified in subsection (p) of this section.

22

At the conclusion of the twelve (12) month period, this

1 exemption shall no longer apply and shall not be continued  
2 without further affirmative action of the legislature;

3  
4 (ii) A producer may utilize this exemption for  
5 not more than one (1) six (6) month period within the  
6 twelve (12) months for which this exemption is in effect;

7  
8 (iii) A producer shall notify the department of  
9 its election to claim the exemption under this subsection  
10 not less than fourteen (14) days before the elected six (6)  
11 month exemption period commences;

12  
13 (iv) Not later than November 1 of each year, the  
14 department shall report to the joint revenue interim  
15 committee and the joint minerals, business and economic  
16 development interim committee on the use of the exemption  
17 created under this subsection and associated revenue  
18 impacts. This reporting requirement shall terminate one (1)  
19 year after the completion of the twelve (12) month period  
20 specified in this subsection.

21  
22 (q) Production of sour crude oil is exempt from one-  
23 half (1/2) of the severance taxes imposed by W.S. 39-14-

1 204(a)(iii) and from all of the severance taxes imposed by  
2 W.S. 39-14-204(a)(iv) as provided in this subsection. The  
3 exemption under this subsection shall apply when the  
4 Western Canadian Select (WCS) spot price of sour crude oil  
5 reaches thirty-eight dollars (\$38.00) or more and for  
6 twelve (12) months immediately after the spot price reaches  
7 thirty-eight dollars (\$38.00) or more. The exemption shall  
8 be in accordance with the following:

9  
10 (i) The exemption shall be in effect for not more  
11 than one (1) twelve (12) month period starting immediately  
12 after the Western Canadian Select spot price reaches the  
13 threshold specified in subsection (g) of this section. At  
14 the conclusion of the twelve (12) month period, this  
15 exemption shall no longer apply and shall not be continued  
16 without further affirmative action of the legislature;

17  
18 (ii) A producer may utilize this exemption for  
19 not more than one (1) six (6) month period within the  
20 twelve (12) months for which this exemption is in effect;

21  
22 (iii) A producer shall notify the department of  
23 its election to claim the exemption under this subsection

1 not less than fourteen (14) days before the elected six (6)  
2 month exemption period commences;

3

4 (iv) Not later than November 1 of each year, the  
5 department shall report to the joint revenue interim  
6 committee and the joint minerals, business and economic  
7 development interim committee on the use of the exemption  
8 created under this subsection and associated revenue  
9 impacts. This reporting requirement shall terminate one (1)  
10 year after the completion of the twelve (12) month period  
11 specified in this subsection.

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14 \*\*\*\*\*

15 STAFF COMMENT

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17 The Committee may wish to consider clarifying whether a  
18 producer of crude oil can qualify for and receive both  
19 exemptions created in this bill draft or only one of the  
20 exemptions created here.

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25 **Section 2.** This act is effective immediately upon  
26 completion of all acts necessary for a bill to become law  
27 as provided by Article 4, Section 8 of the Wyoming  
28 Constitution.

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(END)