**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

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

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

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STAFF COMMENT

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

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

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

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Section 1. W.S. 39-14-204(a)(iii) and (iv) and 39-14-205 by creating new subsections (p) and (q) are amended to read:

39-14-204. Tax rate.

(a) Except as otherwise provided by this section and W.S. 39-14-205, the total severance tax on crude oil, lease condensate or natural gas shall be six percent (6%), comprising one and one-half percent (1.5%) imposed by the Wyoming constitution article 15, section 19 and the remaining amount imposed by Wyoming statute. The tax shall be distributed as provided in W.S. 39-14-211 and is imposed as follows:

(iii) Two percent (2%)<u>, except as provided in W.S. 39-14-205(p) and (q)</u>; plus

(iv) Two percent (2%), except as provided in W.S. 39-14-205(n), (p) and (q).

39-14-205. Exemptions.

(p) Production of sweet crude oil is exempt from one-half (1/2) of the severance taxes imposed by W.S. 39-14-204(a)(iii) and from all of the severance taxes imposed by W.S. 39-14-204(a)(iv) as provided in this subsection. The exemption under this subsection shall apply when the West Texas Intermediate (WTI) spot price of sweet crude oil reaches forty-five dollars ($45.00) or more and for twelve (12) months immediately after the spot price reaches forty-five dollars ($45.00) or more. The exemption shall be in accordance with the following:

(i) The exemption shall be in effect for not more than one (1) twelve (12) month period starting immediately after the West Texas Intermediate (WTI) spot price reaches the threshold specified in subsection (p) of this section. At the conclusion of the twelve (12) month period, this exemption shall no longer apply and shall not be continued without further affirmative action of the legislature;

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

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

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

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

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

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

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

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

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

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STAFF COMMENT

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

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

(END)