F I S C A L   I M P A C T   R E P O R T

ORIGINAL DATE 2/2/07
SPONSOR Taylor **LAST UPDATED** **HB**

SHORT TITLE Expand Taxes Reported By Estimates **SB** 347

ANALYST Francis

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY07	FY08	FY09		
	NFI			

(Parenthesis ( ) Indicate Revenue Decreases)

SOURCES OF INFORMATION
LFC Files

Responses Received From
Taxation and Revenue Department

SUMMARY

Synopsis of Bill

Senate bill 347 makes two technical changes. The first change amends the way oil and gas severance tax, oil and gas conservation tax, oil and gas emergency school tax and oil and gas ad valorem production tax are reported by allowing them to be reported on an estimated basis similar to the current method for gross receipts and compensating tax based on an agreed methodology between the taxpayer and the taxation and revenue department (TRD).

The second change includes helium and nonhydrocarbon gas in the definition of "oil and gas tax return" in the Tax Administration Act and Resources Excise Act. This is a technical correction to include these gases in the definitions.

FISCAL IMPLICATIONS
SB347 makes technical adjustments which should not result in additional increases or decreases to tax collections.

SIGNIFICANT ISSUES

TRD:

The proposal in Section 1 of the bill would allow the Department to enter agreements to use estimated gross value for determining tax liability under the Oil and Gas Taxes. The Department already has this authority under the gross receipts and compensating taxes. The oil and gas taxes place enormous information demands on the Department and on taxpayers. Each tax return features hundreds of lines of information, and amendments to each line are common because definitive information on product values is often not available at the time returns are originally due. In addition, taxpayers may not have enough information in their computer systems to trace every barrel of oil to its destination. Allowing agreements to use estimated values will save administrative costs for the Department and will save taxpayers on compliance costs. The taxpayer would propose the valuation method, and the Department would have to agree that the method will result in valuations that are consistent with the definition of taxable value in the statute. A similar approach is currently used by the federal government in their oil and gas royalty programs.

ADMINISTRATIVE IMPLICATIONS

TRD reports that SB347 will make the department more efficient and can be administered with available resources.

NF/mt