

Proposed Changes in Senate Finance CS SB 21

Version 28-GS1647\Y

Maximum Base Tax Rate:

Established in Section 9 (page 4, lines 30-31 and page 5, lines 1-11)

January 1, 2014 – December 31, 2016 **35%**

Effective January 1, 2017 **33%**

Repeals Progressivity

No Change from Senate Resource Version

No Change from Governor's Version

Per Barrel Allowance:

\$5.00/barrel

Established in Section 23

Gross Revenue Exclusion:

Established in Section 30 (part of Section 12 as Payment of Tax)

- Produced from a lease or property not within a unit on January 1, 2003
In Senate Resources Version at 30%
In Governor's Version at 20% **20%**
- Produced from a participating area established after December 31, 2011
In Senate Resources Version at 30%
In Governor's Version at 20% **20%**
- Produced from a well that has been accurately metered and measured by an operator and that DNR has certified was not contributing to production before January 1, 2013 (certified through required POD) **20%**

Net Operating Loss

Monetizable

Section 16, Section 17, Section 19

Monetizable or carry forward annual loss credit (in the amount equivalent to production tax rate)

January 1, 2014 – December 31, 2016: **35%**

January 1, 2017: **33%**

Manufacturing Credit against State Corporate Income Tax

Established in Section 7

Provides for a manufacturing credit applied against a taxpayer's corporate income tax liability for a qualified oil and gas service industry expenditure that occurs in the state.

- The total amount of credit may not exceed the lesser of 10% of expenditures or \$10 million.
- Must be a taxpayer to qualify for the credit.
- Non-transferable
- The expenditure cannot be the basis of another deduction under the Corporate Income Tax Law
- Reduces the shelf life of the credit to five years

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Eliminates Qualified Capital Expenditure Credit: For Expenditures after 1/1/2014

Exploration Incentive Credit

Not extended to 2022

Will sunset July 1, 2016

Small Producer Tax Credits:

Not extended to 2022

Will sunset 2016

*Small producers that currently receive the credit. If production started after April 1, 2006, then the small producer is allowed to take the credit for 9 years after the start of commercial production. Very likely that even though the credit sunsets in 2016, there will be companies that are allowed to take the credit in years after 2016.

Interest Rate for Delinquent Taxes

Amended under Section 4

Adjusts how the interest is calculated on delinquent taxes: 3 percentage points above the annual rate charged member banks for advances by the 12th Federal Reserve District. Alternative to the greater than approach (current statute) or the lesser than approach (in Version 28-GS1647\Y)

Slide by Barry Pulliam of EconOne – 3/12/2013

Conforming Sections: 1, 3, 5, 6, 8, 14, 20, 31, 32, 33

Community Revenue Sharing Provision

Removes reference and tie to corporate income tax receipts. Does not change how the formula works, or distribution of funds.