**HB 328 CS Work-draft Version I changes from Version B (Corrected)**

**Prepared by the office of Representative Seaton**

* Adds gains and losses from the sale of leases or properties used in the production of oil and gas to the calculation of gross income for determining taxable income. (Page 2, lines 28 and 29)
* Deletes the requirement that the Department of Revenue calculate a taxpayer’s net income. Under version I a company is required to calculate its own tax liability. The Department was concerned with the administrative burden of calculating a taxpayer’s tax liability. (Page 3 line 3, page 5 line 4 and page 5 line 30)
* Requires depreciation under current Internal Revenue Code in the calculation of a taxpayer’s net income. Deletes the requirement that for the depreciation of property, taxpayers use the Internal Revenue Code depreciation schedule from 1981. (Page 3, line 19)

* Deletes requirement that depreciation be calculated on a percentage depletion basis. The Department was concerned that percentage depletion was not a customary depreciation method, and that it allows recovery in excess of cost. Replaces percentage depletion with depreciation under current Internal Revenue Code. (Page 3, line 19)
* Requires that property must be capitalized for purposes of deducting depreciation in determining net income. Previous language did not specifically require capitalization of property. (Page 3, line 21)
* Requires quarterly estimated payments as is current practice. However, taxpayers with an estimated liability of less than one million dollars for the year may file annually. Inserts section imposing interest on underpayment and overpayment of quarterly installments. (Page 8 and Page 9)
* Allows a five-year transition period for taxpayers to align to the current Internal Revenue code depreciation schedule from the 1981 schedule which is currently in effect. (Page 12, lines 4 and 5)