

FISCAL NOTE

	FY 2022	FY 2023	FY 2024
NON-ADMINISTRATIVE IMPACT			
Anticipated Revenue increase/(decrease)			
GENERAL FUND (Sev. tax)	(\$12,900,000)	(\$5,800,000)	(\$5,800,000)
BUDGET RESERVE ACCOUNT (Sev. tax)	(\$25,800,000)	(\$11,600,000)	(\$11,500,000)
SCHOOL FOUNDATION RES. (Sales tax)	\$14,400,000	\$29,400,000	\$22,800,000
BUDGET RESERVE ACCOUNT (Sales tax)	\$28,800,000	\$58,800,000	\$45,600,000

Sources of revenue increase(decrease):

This bill would increase the sales & use tax rate in increments of not less than one-quarter percent, up to one percent. All revenue collected from this tax rate increase would be distributed one-third to the School Foundation Program Reserve Account and two-thirds to the Budget Reserve Account. This tax would be imposed on a calendar year basis and would only be imposed if the Governor determines that the total amount of all severance taxes collected under Chapter 14 of Title 39 of Wyoming statutes in the immediately preceding fiscal year was less than the total amount of severance taxes collected for fiscal year 2020. If the Governor makes this determination, the Department of Revenue would impose the increased sales & use tax rate (in increments of not less than one-quarter percent) as necessary to produce, but not exceed the difference.

This bill would also adjust the severance tax rates on crude oil and natural gas production based on the preceding three-month rolling averages of the spot price per barrel for West Texas Intermediate (WTI) crude oil, and the spot price per mcf for Henry Hub natural gas. The severance tax rates would be established based on the average WTI and Henry Hub prices for the three-month period immediately preceding the month of production. The tax rates are presented in tables below.

WTI crude oil price per barrel	Sev tax rate
Less than \$35.00	2.0%
At least \$35.00 and less than \$40.00	3.0%
At least \$40.00 and less than \$45.00	4.0%
At least \$45.00 and less than \$50.00	5.0%
At least \$50.00 and less than \$55.00	6.0%
At least \$55.00 and less than \$60.00	7.0%
At least \$60.00 and less than \$70.00	7.5%
At least \$70.00 and less than \$80.00	8.0%
\$80.00 or more	9.0%

Henry Hub natural gas price per MCF	Sev tax rate
Less than \$2.25	2.0%
At least \$2.25 and less than \$2.50	3.5%
At least \$2.50 and less than \$2.95	5.0%
At least \$2.95 and less than \$3.25	6.0%
At least \$3.25 and less than \$3.50	7.0%
At least \$3.50 and less than \$4.00	8.0%
\$4.00 or more	9.0%

Assumptions:

An increased sales & use tax rate of one-half percent is anticipated in calendar years 2022 and 2023. An increased sales & use tax rate of one-quarter percent is anticipated in calendar year 2024. These sales & use tax rate increases would generate total additional sales & use tax revenue of \$43.2 million in FY 2022, \$88.2 million in FY 2023 and \$68.4 million in FY 2024. These estimates are based on the total severance taxes projected in FY 2021, FY 2022 and FY 2023 in the January 2021 Consensus Revenue Estimating Group (CREG) forecast, combined with the annual severance tax reductions anticipated from the proposed severance tax rate decreases in the bill.

A reduced severance tax rate of 5 percent for natural gas is anticipated in FY 2022, FY 2023 and FY 2024. A reduced severance tax rate for crude oil of 5 percent is anticipated in FY 2022. These reduced severance tax rates are based on the annual crude oil and natural gas price projections in the January 2021 CREG forecast. The WTI crude oil price is assumed to be \$5.00 higher than the CREG projected crude oil price. The Henry Hub natural gas price is assumed to be roughly equivalent to the CREG projected natural gas price.

These severance tax rate decreases would reduce total severance tax revenue by \$38.7 million in FY 2022, \$17.4 million in FY 2023 and \$17.3 million in FY 2024. These estimates are based on the total crude oil and natural gas severance taxes projected in FY 2022 through FY 2024 in the January 2021 CREG forecast. These severance tax decreases are offset by an anticipated reduction in the fiscal impact of the current new well severance tax exemption in W.S. 39-14-205(n)-(o) (enacted in 2020 Session Laws, Ch. 155).

The fiscal impact to severance tax revenues described above does not include the potential revenue increase in severance taxes and ad valorem taxes on increased production that would not otherwise take place without the proposed severance tax rate reductions. The increased production resulting from the proposed severance tax rate reduction cannot be determined.

NOTICE-AGENCY ESTIMATE OF ADMINISTRATIVE IMPACT REQUESTED

This bill has administrative impact that appears to increase duties or responsibilities of one or more state agencies and may impact agency spending or staffing requirements. As introduced, the bill does not modify any state agency budget or current personnel authorizations.

The following state agencies will be asked to provide their estimate of the administrative fiscal impact prior to the first committee meeting held to consider the bill:

Department of Revenue

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