HOUSE BILL NO. HB0011

Oil and gas 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 and natural gas as specified; requiring reports; requiring rulemaking; and providing for an effective date.

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

Section 1. W.S. 39-14-204(a)(iii) and (iv) and 39-14-205 by creating new subsections (p) through (r) 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%), except as provided in W.S. 39-14-205(p) through (r); plus

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

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 average of the West Texas Intermediate (WTI) spot price of sweet crude oil is equal to or greater than forty-five dollars ($45.00) per barrel as averaged over a period of the immediately preceding thirty (30) days. The exemption shall apply for twelve (12) months immediately after the average spot price reaches forty-five dollars ($45.00) or more as provided in this subsection. The director shall provide notice in writing certifying the date on which the exemption under this subsection takes effect and shall provide a separate notice in writing certifying the date on which the exemption under this subsection expires. 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) The exemption under this subsection shall apply only to production from any well that is drilled on or after January 1, 2021 and to the renewed production from previously shut-in wells that were shut in on or before July 1, 2020 and that are reactivated during the period in which the exemption is in effect;

(iii) 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;

(iv) 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;

(v) 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 average of the Western Canadian Select (WCS) spot price of sour crude oil is equal to or greater than thirty-eight dollars ($38.00) per barrel as averaged over a period of the immediately preceding thirty (30) days. The exemption shall apply for twelve (12) months immediately after the average spot price reaches thirty-eight dollars ($38.00) or more as provided in this subsection. The director shall provide notice in writing certifying the date on which the exemption under this subsection takes effect and shall provide a separate notice in writing certifying the date on which the exemption under this subsection expires. 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 (WCS) 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) The exemption under this subsection shall apply only to production from any well that is drilled on or after January 1, 2021 and to the renewed production from previously shut-in wells that were shut in on or before July 1, 2020 and that are reactivated during the period in which the exemption is in effect;

(iii) 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;

(iv) 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;

(v) 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.

(r) Production of natural gas 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 average of the Henry hub spot price of natural gas is equal to or greater than three dollars ($3.00) per thousand cubic feet as averaged over a period of the immediately preceding thirty (30) days. The exemption shall apply for twelve (12) months immediately after the average spot price per thousand cubic feet reaches three dollars ($3.00) or more as provided in this subsection. The director shall provide notice in writing certifying the date on which the exemption under this subsection takes effect and shall provide a separate notice in writing certifying the date on which the exemption under this subsection expires. 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 Henry hub 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) The exemption under this subsection shall apply only to production from any well that is drilled on or after January 1, 2021 and to the renewed production from previously shut-in wells that were shut in on or before July 1, 2020 and that are reactivated during the period in which the exemption is in effect;

(iii) 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;

(iv) 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;

(v) 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.

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)