Stricken language would be deleted from and underlined language would be added to present law. Act 668 of the Regular Session

1	State of Arkansas	As Engrossed: H3/31/21	
2	93rd General Assembly	A Bill	
3	Regular Session, 2021		HOUSE BILL 1755
4			
5	By: Representatives Jean, Barker, Fielding		
6	By: Senators T. Garner, Beck	ham	
7			
8	For An Act To Be Entitled		
9	AN ACT TO AMEND THE LAW GOVERNING THE TAX TREATMENT		
10	OF PRODUCING MINERALS; TO DEFINE AND SET THE TAX		
11	TREATMENT FOR OIL WELLS AND PRODUCTION EQUIPMENT; AND		
12	FOR OTHER	PURPOSES.	
13			
14			
15		Subtitle	
16	TO A	MEND THE LAW GOVERNING THE TAX	
17	TREATMENT OF PRODUCING MINERALS; AND TO		
18	DEFINE AND SET THE TAX TREATMENT FOR OIL		
19	WELLS	S AND PRODUCTION EQUIPMENT.	
20			
21			
22	BE IT ENACTED BY THE G	GENERAL ASSEMBLY OF THE STATE OF	ARKANSAS:
23			
24	SECTION 1. Arkansas Code § 26-26-1110(a), concerning the assessment of		
25	mineral rights for purposes of property tax, is amended to read as follows:		
26	(a)(l) <u>As used</u>	in this section:	
27	<u>(A)</u>	"Oil well" means a producing un	nit well or well that
28	<u>produces:</u>		
29		(i) Only liquid hydrocarbons	
30		(ii) Liquid hydrocarbons asso	ociated with the
31	production of gas; or		
32		(iii) Gas associated with the	e production of liquid
33	hydrocarbons; and		
34	(B) "Production equipment" means all piping and other		
35	equipment of an oil well from the bottom of the casing to and including the		
36	sales valve at the tank battery.		

- 1 (2) The county assessor shall assess all producing mineral 2 interests in the county.
- 3 $\frac{(2)(A)(3)(A)}{(3)(A)}$ The county assessor shall assess the mineral
- 4 interests in the land separate from the fee simple interest in the land when
- 5 the:
- 6 (i) Mineral interests in the land are held by one
- 7 (1) or more persons that are different from the person or persons holding the
- 8 fee simple interest; and
- 9 (ii) County assessor is advised of the separate
- 10 holdings by the recording of a deed in the county recorder's office.
- 11 (B) When subdivision $\frac{(a)(2)(A)}{(a)(3)(A)}$ of this section
- 12 applies, a sale of the mineral interests for nonpayment of taxes shall not
- 13 affect the title to the land itself, nor shall a sale of the land for
- 14 nonpayment of taxes affect the title to the mineral interests.
- 15 (4)(A) The county assessor shall assess all production equipment
- 16 <u>as real property.</u>
- 17 (B)(i) Except as stated under subdivision (a)(4)(B)(ii) of
- 18 this section, when assessing the value of production equipment, the county
- 19 <u>assessor shall assess the production equipment at a value of one dollar</u>
- 20 (\$1.00) per foot.
- 21 (ii) Any portion of the casing in a well, that has
- 22 been rendered inoperable for producing oil or gas by a cement or mechanical
- 23 plug shall not be subject to taxation.
- 24 (5) If an oil well reported production in a prior year and
- 25 <u>reports an annual increase in average daily production, the annual increase</u>
- 26 <u>in average daily production shall be assessed as newly discovered property</u>
- 27 only if the annual increase in average daily production is solely
- 28 attributable to new production from a geologic zone or horizon that was not
- 29 produced in a prior year from the existing oil well.
- 30 (6)(A) In calculating the working interest-assessed value of an
- 31 <u>oil well, the county assessor shall apply a uniform expense allowance per</u>
- 32 <u>barrel of oil produced without regard to the average daily production of the</u>
- 33 oil well.
- 34 (B) The expense allowance under subdivision (a)(6)(A) of
- 35 this section shall be based as nearly as practicable on actual expenses per
- 36 <u>barrel of oil produced.</u>

As Engrossed: H3/31/21 HB1755

1	(7) In assessing the value of an oil well based on an income		
2	approach, the income shall be based on the actual average price per barrel of		
3	oil in Arkansas during the immediately preceding calendar year; and		
4	(8) All formulas, valuation tables, and guidance that are		
5	published or provided to the county assessors by the Assessment Coordination		
6	Division to be used in the valuation and appraisal of mineral rights for ad		
7	valorem tax purposes shall comply with the requirements of this section.		
8			
9	SECTION 2. EFFECTIVE DATE. Section 1 of this act is effective for		
10	assessment years beginning on or after January 1, 2022.		
11			
12	/s/Jean		
13			
14			
15	APPROVED: 4/12/21		
16			
17			
18			
19			
20			
21			
22			
23			
24			
25			
26			
27			
28			
29			
30			
31			
32			
33 34			
34 35			
35 36			
)()			