

ARKANSAS SENATE
86th General Assembly - Regular Session, 2007
Amendment Form

Subtitle of Senate Bill No. 908

"TO INCREASE THE SEVERANCE TAX ON NATURAL GAS AND TO CREATE FUNDS
TO SUPPORT VARIOUS STATE, COUNTY, OR LOCAL NEEDS."

Amendment No. 1 to Senate Bill No. 908.

Amend Senate Bill No. 908 as originally introduced:

Delete everything after the enacting clause and substitute the following:

"SECTION 1. Arkansas Code Title 26, Chapter 58, Subchapter 1 is amended to add a new section to read as follows:

26-58-127. Severance tax on natural gas.

(a) Except as provided in subsections (b)-(d) of this section, in addition to the severance tax levied by § 26-58-111(5), there is levied a new severance tax on the severance of natural gas at the rate of twenty cents (20¢) per one thousand cubic feet (1,000 cu. ft.).

(b)(1) The additional severance tax on natural gas shall be at the rate of three cents (3¢) per one thousand cubic feet (1,000 cu. ft.) on natural gas:

(A) Produced from a well that:

(i) Has been designated as an oil well by the Director of the Oil and Gas Commission; and

(ii) Has been determined by the Director of the Department of Finance and Administration to have a wellhead pressure of fifty pounds per square inch (50 psi) or less under operating conditions; or

(B) Has risen in a vaporous state through the annular space between the casing and tubing of an oil well and has been released through lines connected with the casing head if the gas has been determined by the Director of the Department of Finance and Administration to have a casing head pressure of fifty pounds per square inch (50 psi) or less under operating conditions.

(2) Unless the Director of the Department of Finance and Administration has determined otherwise, the presumption in this subsection is that an oil well being produced by the method commonly known as "gas lift" has a wellhead pressure of fifty pounds per square inch (50 psi) or less under operating conditions.

(3) To qualify for the reduced additional severance tax rate provided in this subsection, an oil well shall have a casing head pressure of fifty pounds per square inch (50 psi) or less for the entire taxable month.



(c)(1) The additional severance tax on natural gas shall be at the rate of one and three-tenths cents (1 3/10¢) per one thousand cubic feet (1,000 cu. ft.) on natural gas produced from a well that has been:

(A) Designated as a gas well by the Director of the Oil and Gas Commission; and

(B) Determined by the Director of the Department of Finance and Administration to be incapable of producing an average of five hundred thousand cubic feet (500,000 cu. ft.) of natural gas per day.

(2) To qualify for the reduced additional severance tax rate provided in this subsection, a gas well shall be incapable of producing five hundred thousand cubic feet (500,000 cu. ft.) of natural gas per day during the entire taxable month.

(d) The additional severance tax on natural gas shall be at the rate of seven cents (7¢) per one thousand cubic feet (1,000 cu. ft.) on natural gas that is produced from a natural gas well that has an approved contract price of less than fifty-two cents (52¢) per one thousand cubic feet (1,000 cu. ft.).

(e)(1) The additional severance tax levied on the severance of natural gas under this section shall be:

(A) An additional severance tax on the severance of natural gas; and

(B) In addition to all other taxes levied on the severance of natural gas.

(2) The additional severance tax levied under this section shall be paid by the producer.

(3) The additional severance tax shall not be withheld from any royalties due to the owner but shall be collected from the purchaser of the natural gas.

(f) The additional taxes collected by the Director of the Department of Finance and Administration under this section shall be deposited as follows:

(1) Fifty percent (50%) of the revenues to the General Revenue Fund Account of the State Apportionment Fund to be distributed as other general revenues;

(2) Forty percent (40%) of the revenues to the County Aid Fund to be distributed as provided in § 19-5-602(c)(1)(A) to be used exclusively for highways and roads; and

(3) Ten percent (10%) of the revenues to be deposited in the State Treasury as cash funds for the Arkansas Natural Resources Commission.

SECTION 2. Arkansas Code 26-58-110 is amended to read as follows:
26-58-110. Additional privilege or excise taxes prohibited.

No other privilege or excise taxes in addition to the severance ~~tax~~ taxes levied under this subchapter shall be imposed upon the right to utilize natural resources and timber.

SECTION 3. Sections 1 and 2 of this act shall become effective on the first day of the calendar month following the effective date of this act."

The Amendment was read the first time, rules suspended and read the second time and _____

By: Senator Salmon

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Secretary