15.1024.07000

FISCAL NOTE

Requested by Legislative Council
04/23/2015

Amendment to: HB 1476

1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2013-2015 Biennium		2015-2017 Biennium		2017-2019 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues				$35,000,000		
Expenditures						
Appropriations						

1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2013-2015 Biennium	2015-2017 Biennium	2017-2019 Biennium
Counties			
Cities			
School Districts			
Townships			

2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Engrossed HB 1476, with Senate Finance and Tax Committee amendments, replaces oil extraction tax "triggered" rate reductions with a single, permanent tax rate of 5 percent.

B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 3 of Engrossed HB 1476, with Senate Finance and Tax Committee amendments, imposes a 5 percent oil extraction tax rate and removes the triggered incentive provisions.

Section 4 removes the triggered 24 month exemption for new horizontal wells.

Section 5 removes additional oil extraction tax exemptions.

Section 6, along with the effective date clause in Section 9, allows for the triggered incentive (which would eliminate the oil extraction tax on new wells and reduce the rate to 4 percent on most other wells) to be in effect for production through November 30, 2015. Beginning December 1, 2015, the triggered incentives would no longer apply. The existing oil extraction tax rate of 6.5 percent would be in effect through December 31, 2015. Beginning January 1, 2016, the rate would be reduced to 5 percent.

The March 2015 revenue forecast assumes the triggered incentives will be in place for 11 months, beginning with June 2015 through April 2016. Based on the official oil price forecast, this bill would allow the triggered incentives to be in place for 6 months, June through November 2015. Because this bill eliminates the triggered incentive beginning December 1, 2015, December production would be taxed at the 6.5 percent rate provided in current law. Beginning January 1, 2016, the new rate of 5 percent would apply.

The removal of the triggered incentives and imposition of the rates provided in this bill is expected to increase oil extraction tax revenue by approximately $301 million in FY 2016 and reduce oil extraction tax revenue by $266 million in FY 2017, consistent with the provisions of the official March forecast. The fiscal impact is estimated to total +$35 million for the 2015-17 biennium. This increase in revenues will be distributed among the legacy, common schools trust, foundation aid stabilization, resources trust, and strategic investment and improvements funds.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

   A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

   B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

   C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

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