

Stricken language would be deleted from and underlined language would be added to the law as it existed prior to this session of the General Assembly.

1 State of Arkansas
2 85th General Assembly
3 Regular Session, 2005

A Bill

HOUSE BILL 2882

4
5 By: Representatives Mahony, Stovall
6
7

For An Act To Be Entitled

8
9 AN ACT TO MODIFY THE SEVERANCE TAX RATE ON
10 NATURAL GAS; AND FOR OTHER PURPOSES.
11

Subtitle

12
13 TO MODIFY THE SEVERANCE TAX RATE ON
14 NATURAL GAS.
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17 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
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19 SECTION 1. Arkansas Code Title 26, Chapter 58, Subchapter 1 is amended
20 to add a new section to read as follows:

21 26-58-127. Severance tax on natural gas.

22 (a) Except as provided in subsections (b)-(d) of this section, in
23 addition to the tax levied by § 26-58-111(5), there is levied a new privilege
24 tax on the severance of natural gas at the rate of fifteen cents (15¢) per
25 one thousand cubic feet (1,000 cu. ft.).

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

28 (A) Produced from a well that has been designated as an
29 oil well by the Director of the Oil and Gas Commission and determined by the
30 Director of the Department of Finance and Administration to have a wellhead
31 pressure of fifty pounds per square inch (50 psi) or less under operating
32 conditions; or

33 (B) That has risen in a vaporous state through the annular
34 space between the casing and tubing of an oil well and has been released
35 through lines connected with the casing head if the gas has been determined
36 by the Director of the Department of Finance and Administration to have a



1 casing head pressure of fifty pounds per square inch (50 psi) or less under
 2 operating conditions.

3 (2) For purposes of applying the reduced tax rate provided in
 4 subsection (b) of this section, an oil well being produced by the method
 5 commonly known as gas lift shall be presumed, in the absence of a
 6 determination to the contrary by the Director of the Department of Finance
 7 and Administration, to have a wellhead pressure of fifty pounds per square
 8 inch (50 psi) or less under operating conditions.

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

13 (c)(1) The additional severance tax on natural gas shall be at the
 14 rate of one and three-tenths cents (1 3/10¢) per one thousand cubic feet
 15 (1,000 cu. ft.) on gas produced from a well that has been designated as a gas
 16 well by the Director of the Oil and Gas Commission and determined by the
 17 Director of the Department of Finance and Administration to be incapable of
 18 producing an average of five hundred thousand cubic feet (500,000 cu. ft.) of
 19 gas per day.

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

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

29 (e)(1) The tax levied on the severance of natural gas under this
 30 section shall be a new privilege tax on the severance of natural gas and
 31 shall be in addition to all other taxes levied on the severance of natural
 32 gas.

33 (2) The tax levied under this section shall be paid by the
 34 producer. The tax shall not be withheld from any royalties due to the owner
 35 but shall be collected from the purchaser of the natural gas.

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

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

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7 SECTION 3. Section 1 and Section 2 of this act shall become effective
8 on the first day of the calendar month following the effective date of this
9 act.

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