CHAPTER 300

TAXATION

HOUSE BILL 00-1065

BY REPRESENTATIVES Spradley, George, Kester, Lawrence, McKay, Scott, Stengel, and Young;
also SENATORS Wattenberg, Evans, Feeley, Hernandez, Lamborn, and Matsunaka.

AN ACT

CONCERNING THE SEVERANCE TAX ON OIL AND GAS.

Be it enacted by the General Assembly of the State of Colorado:

SECTION 1. 39-29-102, Colorado Revised Statutes, is amended BY THE ADDITION OF THE FOLLOWING NEW SUBSECTIONS to read:

39-29-102. Definitions. As used in this article, unless the context otherwise requires:

(2.5) FOR TAX YEARS COMMENCING ON OR AFTER JANUARY 1, 2000, "GAS" MEANS NATURAL GAS, COALBED METHANE, AND CARBON DIOXIDE.

(6.5) FOR TAX YEARS COMMENCING ON OR AFTER JANUARY 1, 2000, "OIL" MEANS CRUDE OIL AND CONDENSATE.

SECTION 2. 39-29-105, Colorado Revised Statutes, is amended to read:

39-29-105. Tax on severance of oil and gas. (1) (a) In addition to any other tax, there shall be levied, collected, and paid for each taxable year COMMENCING PRIOR TO JANUARY 1, 2000, a tax upon the gross income of crude oil, natural gas, carbon dioxide, and oil and gas severed from the earth in this state; except that oil produced from any wells ~~which~~ THAT produce ten barrels per day or less of crude oil for the average of all producing days during the taxable year shall be exempt from the tax. NOTHING IN THIS PARAGRAPH (a) SHALL EXEMPT A PRODUCER OF OIL AND GAS FROM SUBMITTING A PRODUCTION EMPLOYEE REPORT AS REQUIRED BY SECTION 39-29-110 (1) (d) (I). The tax for crude oil, natural gas, carbon dioxide, and oil and gas shall be at the following rates of the gross income:

Capital letters indicate new material added to existing statutes; dashes through words indicate deletions from existing statutes and such material not part of act.

Under $25,000	2%
$25,000 and under $100,000	3%
$100,000 and under $300,000	4%
$300,000 and over	5%

(b) IN ADDITION TO ANY OTHER TAX, THERE SHALL BE LEVIED, COLLECTED, AND PAID FOR EACH TAXABLE YEAR COMMENCING ON OR AFTER JANUARY 1, 2000, A TAX UPON THE GROSS INCOME ATTRIBUTABLE TO THE SALE OF OIL AND GAS SEVERED FROM THE EARTH IN THIS STATE; EXCEPT THAT OIL PRODUCED FROM ANY WELLS THAT PRODUCE FIFTEEN BARRELS PER DAY OR LESS OF OIL AND GAS PRODUCED FROM WELLS THAT PRODUCE NINETY THOUSAND CUBIC FEET OR LESS OF GAS PER DAY FOR THE AVERAGE OF ALL PRODUCING DAYS FOR SUCH OIL OR GAS PRODUCTION DURING THE TAXABLE YEAR SHALL BE EXEMPT FROM THE TAX. NOTHING IN THIS PARAGRAPH (b) SHALL EXEMPT A PRODUCER OF OIL AND GAS FROM SUBMITTING A PRODUCTION EMPLOYEE REPORT AS REQUIRED BY SECTION 39-29-110 (1) (d) (I). THE TAX FOR OIL AND GAS SHALL BE AT THE FOLLOWING RATES OF THE GROSS INCOME:

UNDER $25,0002%	
$25,000 AND UNDER $100,000	3%
$100,000 AND UNDER $300,000	4%
$300,000 AND OVER	5%

(2) (a) With respect to crude oil, natural gas, carbon dioxide, and oil and gas, there shall be allowed, as a credit against the tax computed in accordance with the provisions of PARAGRAPH (a) OF subsection (1) of this section FOR EACH TAXABLE YEAR COMMENCING PRIOR TO JANUARY 1, 2000, an amount equal to eighty-seven and one-half percent of all ad valorem taxes assessed during the taxable year in the case of accrual basis taxpayers or paid during the taxable year in the case of cash basis taxpayers upon crude oil, natural gas, carbon dioxide, and oil and gas leaseholds and leasehold interests and oil and gas royalties and royalty interests for state, county, municipal, school district, and special district purposes, except such ad valorem taxes assessed or paid for such purposes upon equipment and facilities used in the drilling for, production of, storage of, and pipeline transportation of crude oil, natural gas, and carbon dioxide. However, no credit shall be allowed for ad valorem taxes paid or assessed on oil wells ~~which~~ THAT produce ten barrels per day or less of crude oil for the average of all producing days during the taxable year.

(b) WITH RESPECT TO OIL AND GAS, THERE SHALL BE ALLOWED, AS A CREDIT AGAINST THE TAX COMPUTED IN ACCORDANCE WITH THE PROVISIONS OF PARAGRAPH (b) OF SUBSECTION (1) OF THIS SECTION FOR EACH TAXABLE YEAR COMMENCING ON OR AFTER JANUARY 1, 2000, AN AMOUNT EQUAL TO EIGHTY-SEVEN AND ONE-HALF PERCENT OF ALL AD VALOREM TAXES ASSESSED DURING THE TAXABLE YEAR IN THE CASE OF ACCRUAL BASIS TAXPAYERS OR PAID DURING THE TAXABLE YEAR IN THE CASE OF CASH BASIS TAXPAYERS UPON OIL AND GAS LEASEHOLDS AND LEASEHOLD

INTERESTS AND OIL AND GAS ROYALTIES AND ROYALTY INTERESTS FOR STATE, COUNTY, MUNICIPAL, SCHOOL DISTRICT, AND SPECIAL DISTRICT PURPOSES, EXCEPT SUCH AD VALOREM TAXES ASSESSED OR PAID FOR SUCH PURPOSES UPON EQUIPMENT AND FACILITIES USED IN THE DRILLING FOR, PRODUCTION OF, STORAGE OF, AND PIPELINE TRANSPORTATION OF OIL AND GAS. HOWEVER, NO CREDIT SHALL BE ALLOWED FOR AD VALOREM TAXES PAID OR ASSESSED ON OIL AND GAS PRODUCTION THAT IS EXEMPT FROM THE STATE SEVERANCE TAX PURSUANT TO SUBSECTION (1) OF THIS SECTION.

SECTION 3. 39-29-111 (1) and (4), Colorado Revised Statutes, are amended to read:

39-29-111. Withholding of income from oil and gas interest. (1) Every producer or purchaser who disburses funds ~~which~~ THAT are owed to any person owning a working interest, a royalty interest, a production payment, or any other interest in any ~~carbon dioxide or~~ oil ~~and~~ OR gas produced in Colorado shall, UNLESS SUCH PRODUCTION IS EXEMPT UNDER SECTION 39-29-105 (1) AND THE PRODUCER OR PURCHASER HAS REGISTERED SUCH EXEMPT PRODUCTION WITH THE DEPARTMENT OF REVENUE IN ACCORDANCE WITH RULES PROMULGATED BY THE DEPARTMENT, withhold from the amount owed to such person an amount equal to ~~two~~ ONE percent of the gross income from such interest, except for income accruing to the United States or the state of Colorado or to any political subdivision of the state of Colorado. The amount withheld shall be based on gross income as defined in section 39-29-102 (3) (a). On or before March 1, June 1, September 1, and December 1 of each year, the aggregate of all such amounts withheld during the prior calendar quarter shall be paid to the department of revenue; and, no later than such dates, a report covering the withholding of such amounts shall be filed with the department of revenue upon forms prescribed by the executive director. Nothing in this section shall be so construed as to reduce the tax imposed by this article.

(4) On or before March 1 of each year, every producer or purchaser shall provide each person holding any interest pursuant to subsection (1) of this section with a statement of the amounts deducted and withheld pursuant to this section from disbursements made to such person during the preceding calendar year. SUCH STATEMENTS SHALL BE RETAINED IN THE RECORDS OF EVERY PRODUCER OR PURCHASER FOR A PERIOD OF THREE YEARS AND SHALL BE MADE AVAILABLE TO THE DEPARTMENT OF REVENUE UPON THE WRITTEN REQUEST OF THE DEPARTMENT.

SECTION 4. Effective date. This act shall take effect July 1, 2000.

SECTION 5. Safety clause. The general assembly hereby finds, determines, and declares that this act is necessary for the immediate preservation of the public peace, health, and safety.

Approved: May 31, 2000