

SESSION OF 2002

## SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2066

As Amended by House Committee on  
Taxation

### **Brief\***

HB 2066, as amended, would reduce the effective severance tax rates on oil and coal by 10 percent, effective July 1, 2002.

The 8 percent rate imposed on oil would be reduced to 7.567 percent, but the 3.67 percent credit available under current law would remain unchanged. Thus, the effective rate on oil would be reduced from 4.33 percent to 3.897 percent.

The \$1 per ton tax on coal also would be reduced to 90 cents per ton.

### **Background**

The original bill, which would have been effective July 1, 2001, would have totally repealed the tax on oil and coal. The House Taxation Committee amended the bill to update the effective date and to provide for 10 percent reductions in the tax rates in lieu of outright repeal.

There is no fiscal note associated with the coal tax rate change, since the state is not currently receiving any revenue from this source. (Coal production remains below the exemption threshold for each mine and is expected to continue to do so for the foreseeable future.)

The oil tax reduction would have the following fiscal impact, based on the November Consensus estimates. (Under current law, 93 percent of severance tax receipts is deposited in the State General Fund (SGF) and 7 percent is deposited in the County Mineral Production Tax Fund (CMPTF) for distribution to school districts and counties.)

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\*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org/cgi-bin/fulltext/bills.cgi>

**Oil Severance Tax Reduction - July 1, 2002**

(\$ in millions)

	<u>SGF</u>	<u>CMPTF</u>	<u>Total</u>
FY 2003	\$1.143	\$0.086	\$1.229
FY 2004	\$1.371	\$0.103	\$1.474
FY 2005	\$1.371	\$0.103	\$1.474
FY 2006	\$1.371	\$0.103	\$1.474
FY 2007	\$1.371	\$0.103	\$1.474
5-Yr Total	\$6.627	\$0.499	\$7.126