

Popular Name

THE NATURAL GAS SEVERANCE TAX ACT OF 2012

Ballot Title

AN ACT PROVIDING THAT, EFFECTIVE JANUARY 1, 2013, THE SEVERANCE TAX ON NATURAL GAS SEVERED FROM WITHIN THE STATE OF ARKANSAS SHALL BE INCREASED TO SEVEN PERCENT (7%) OF THE MARKET VALUE OF SUCH NATURAL GAS AT THE TIME IT IS SEVERED; PROVIDING THAT THE NEW SEVERANCE TAX RATE OF SEVEN PERCENT (7%) OF MARKET VALUE WILL SUPERSEDE AND REPLACE THE OLD RATES PROVIDED IN ARKANSAS CODE § 26-58-111, WHICH RANGE FROM 1.25% TO 5.0%, BASED ON FOUR CATEGORIES OF NATURAL GAS DEFINED IN ARKANSAS CODE § 26-58-101, ALL OF WHICH ARE REPEALED BY THIS ACT; PROVIDING THAT ALL COST RECOVERY PERIODS FOR VARIOUS CATEGORIES OF NATURAL GAS DESCRIBED IN ARKANSAS CODE § 26-58-127 ARE REPEALED; PROVIDING THAT THIS INCREASE TO SEVEN PERCENT (7%) OF MARKET VALUE IS BEING PROPOSED TO RAISE ADDITIONAL REVENUES TO BE USED PRIMARILY IN THE CONSTRUCTION AND REPAIR OF ARKANSAS HIGHWAYS, STREETS AND ROADS; IN ACCORDANCE WITH CURRENT LAW, PROVIDING THAT 5% OF ALL TAXES, PENALTIES AND COSTS COLLECTED ON NATURAL GAS SHALL BE DEPOSITED INTO THE STATE TREASURY AS GENERAL REVENUES; PROVIDING THAT THE REMAINING 95% OF ALL NATURAL GAS SEVERANCE TAXES, PENALTIES AND COSTS SHALL BE DEPOSITED AS SPECIAL REVENUES INTO THE STATE TREASURY, IN ACCORDANCE WITH CURRENT LAW, AND DISTRIBUTED AS FOLLOWS: IN A DEPARTURE FROM CURRENT LAW, FOR THE PERIOD JANUARY 1, 2013 THROUGH JUNE 30, 2014, AND FOR EACH FISCAL YEAR THEREAFTER, THE FIRST TWENTY MILLION DOLLARS (\$20,000,000) IS TO BE DEPOSITED TO THE CREDIT OF THE STATE AID STREET FUND, ARKANSAS CODE § 27-72-407, WITH THE REMAINDER TO BE DISTRIBUTED AS CURRENTLY PROVIDED BY THE ARKANSAS HIGHWAY REVENUE DISTRIBUTION LAW, ARK. CODE § 27-70-201 ET SEQ.; PROVIDING, HOWEVER, THAT IF IN A GIVEN FISCAL YEAR SUFFICIENT FUNDS ARE NOT AVAILABLE TO ACHIEVE THE TWENTY MILLION DOLLAR (\$20,000,000) CONTRIBUTION TO THE STATE AID STREET FUND, WHATEVER AMOUNT IS AVAILABLE SHALL BE PAID OUT TO THE STATE AID STREET FUND FOR THAT FISCAL YEAR, LEAVING NO REMAINDER FOR THAT YEAR TO BE DISTRIBUTED UNDER THE ARKANSAS HIGHWAY REVENUE DISTRIBUTION LAW; PROVIDING THAT THIS ACT SHALL BE EFFECTIVE ON JANUARY 1, 2013; PROVIDING THAT THE GENERAL ASSEMBLY SHALL ADOPT AND ENACT ANY AND ALL LAWS NECESSARY TO CARRY OUT THE INTENT OF THIS ACT; PROVIDING THAT ANY AND ALL LAWS, OR PARTS THEREOF, IN CONFLICT WITH THIS ACT ARE REPEALED; AND FOR OTHER PURPOSES.

BE IT ENACTED BY THE PEOPLE OF THE STATE OF ARKANSAS:

Section 1. Effective January 1, 2013, Section 26-58-111(5) of the Arkansas Code is hereby amended to read as follows:

(5) On natural gas, seven percent (7%) of the market value of such natural gas at the time and point of severance within the State of Arkansas.

Section 2. Effective January 1, 2013, Section 26-58-111(5) of the Arkansas Code, providing various severance tax rates on natural gas, from a minimum of one and one-fourth percent (1.25%) to five percent (5%), is replaced by Section 1 above to repeal the various tax rates and provide for a single severance tax rate on the market value of natural gas of seven percent (7%).

Section 3. Effective January 1, 2013, the following subsections of Section 26-58-101 providing various categories of natural gas are repealed to provide for a single category of natural gas as provided in Section 1 above: subsection (6) (“high-cost gas”); subsection (7) (“high-cost gas well”); subsection (8) (“marginal gas”); subsection (9) (“marginal gas well”); subsection (12) (“new discovery gas”); subsection (13) (“new discovery gas well”); and subsection (20) (“tight gas formation”).

Section 4. Effective January 1, 2013, Section 26-58-101(10) of the Arkansas Code is hereby amended to read as follows:

(10) “Market value”, when used in reference to the rate of severance tax on natural gas, means the producer’s actual cash receipts from the sale of natural gas to the first purchaser.

Section 5. Effective January 1, 2013, all cost recovery periods for various categories of natural gas provided in Section 26-58-127 of the Arkansas Code are repealed.

Section 6. Effective January 1, 2013, Section 26-58-124(c) of the Arkansas Code is hereby amended to read as follows:

(c) All taxes, penalties, and costs collected by the director on natural gas shall be deposited into the State Treasury as follows:

- (1) Five percent (5%) of the funds shall be deposited as general revenues; and
- (2) Ninety-five percent (95%) of the funds shall be shall be classified as special revenues and deposited as follows:

(A) For the period January 1, 2013 through June 30, 2014:

- (i) Collections up to and including twenty million dollars (\$20,000,000) shall be deposited to the credit of the State Aid Street Fund, § 27-72-407; and
- (ii) The remaining revenue shall be distributed as set forth in the Arkansas Highway Revenue Distribution Law, § 27-70-201 et seq.;

(B) Effective July 1, 2014 and thereafter:

- (i) Each fiscal year, collections up to and including the amount of twenty million dollars (\$20,000,000) shall be deposited to the credit of the State Aid Street Fund, § 27-72-407;
- (ii) The remainder shall be distributed as set forth in the Arkansas Highway Revenue Distribution Law, § 27-70-201 et seq.

Section 7. This Act shall be effective for natural gas severed from within the State of Arkansas beginning January 1, 2013.

Section 8. The General Assembly shall adopt and enact any and all laws necessary to carry out the intent of this Act.

Section 9. All laws, or parts thereof, in conflict with this Act are hereby repealed.

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