

ORIGINAL HOUSE
BILL NO. HB0011

ENROLLED ACT NO. 85, HOUSE OF REPRESENTATIVES

SIXTY-FOURTH LEGISLATURE OF THE STATE OF WYOMING
2017 GENERAL SESSION

AN ACT relating to the department of revenue; requiring a study on discounted cash flow valuation for oil and gas as specified; requiring a report; providing a definition; providing an appropriation; and providing for an effective date.

Be It Enacted by the Legislature of the State of Wyoming:

Section 1.

(a) The department of revenue shall study the changes necessary to implement the use of discounted cash flow valuation for the ad valorem tax on oil and gas production by 2020.

(b) The study required by subsection (a) of this section shall include:

(i) A report on the additional costs to the department to administer discounted cash flow valuation of oil and gas production;

(ii) A determination of the tax impacts that would occur with a transition to discounted cash flow valuation and recommendations to make the transition to the new valuation method revenue neutral to the extent possible;

(iii) Recommendations on the specific inputs necessary to implement discounted cash flow valuation including the price forecast, production forecast, operating expenses and the discount rate and how those inputs will be determined.

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(c) In preparing the study required under subsection (a) of this section, the department shall consult with industry representatives, local governments, the revenue departments of other states that have implemented discounted cash flow valuation for oil and gas production and other interested stakeholders. The department may hire consultants as necessary to develop information or data required for the study.

(d) The department shall report the results of the study including any recommendations for legislation to the joint revenue interim committee not later than November 30, 2019. The department shall provide an update on the study not later than November 30, 2017 and November 30, 2018. The updates shall include recommendations for any legislation or appropriation necessary to complete the study or implement the recommendation or to discontinue the study and pursue other appropriate valuation methods.

(e) As used in this section, "discounted cash flow" is a method of valuing a reservoir of petroleum or natural gas using the concepts of the time value of money where all future cash flows, both incoming and outgoing, are estimated and discounted by using the cost of capital to give their present values.

Section 2. There is appropriated ten thousand dollars (\$10,000.00) from the general fund to the department of revenue. This appropriation shall be for the period beginning with the effective date of this act and ending June 30, 2020. This appropriation shall only be expended for the purpose of conducting the study and hiring consultants as provided in section 1 of this act. Notwithstanding any other provision of law, this appropriation shall not be transferred or expended for any

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other purpose and any unexpended, unobligated funds remaining from this appropriation shall revert as provided by law on June 30, 2020.

Section 3. This act is effective immediately upon completion of all acts necessary for a bill to become law as provided by Article 4, Section 8 of the Wyoming Constitution.

(END)

Speaker of the House

President of the Senate

Governor

TIME APPROVED: _____

DATE APPROVED: _____

I hereby certify that this act originated in the House.

Chief Clerk