



**State of Arkansas
Department of Finance and Administration
Fiscal Impact Statement**

Bill: HB1937

Bill Subtitle: TO AMEND THE METHOD OF VALUATION FOR MINERAL RIGHTS UNDER ARKANSAS CONSTITUTION, ARTICLE 16, § 5; AND TO CLARIFY THE METHOD OF VALUATION FOR OIL AND GAS WELL PRODUCTION EQUIPMENT.

Sponsors:

Rep. Jean

Sens. Stone and Caldwell

Basic Change:

HB1937 (engrossed 4/3/2025) amends the law concerning the assessment of mineral rights for property tax purposes. § 26-26-1110(a) currently provides a definition for "oil well" which includes a well that produces:

- Only liquid hydrocarbons;
- Liquid hydrocarbons associated with the production of gas; or
- Gas associated with the production of liquid hydrocarbons.

HB1937 replaces the term "oil well" with the broader term "well" and provides that in addition to the types of wells listed above a "well" also includes a well that produces natural gas or any combination of oil, gas, and other hydrocarbons. Under current law, the value of a well is calculated based on each barrel of oil produced. HB1937 alternatively allows the value to be calculated based on each 1,000 cubic feet of gas produced.

HB1937 is effective for assessment years beginning on and after January 1, 2025.

Fiscal Impact:

No impact to state revenues. Undetermined impact to property tax collections.

Taxpayer Impact:

The method of assessment of mineral rights for property tax purposes will be amended.

Resources Required:

The Assessment Coordination Division (ACD) will need to develop necessary formulas for producing mineral guidelines.

Time Required:

Development of a discounted cash flow model would take at minimum one year. Software programs utilized by county assessors could not be updated with new rates until the new models are developed.



**State of Arkansas
Department of Finance and Administration
Fiscal Impact Statement**

Bill: HB1937

Bill Subtitle: TO AMEND THE METHOD OF VALUATION FOR MINERAL RIGHTS UNDER ARKANSAS CONSTITUTION, ARTICLE 16, § 5; AND TO CLARIFY THE METHOD OF VALUATION FOR OIL AND GAS WELL PRODUCTION EQUIPMENT.

Procedural Changes:

County Assessors would use newly developed rates to value working mineral interests.

Other Comments:

None.

Legal Analysis:

None.