



# United States Department of the Interior

MINERALS MANAGEMENT SERVICE

Washington, DC 20240

MRM/CE  
Mail Stop 320B2

DEC 7 2000

Dear Payor:

This letter provides information regarding the Oklahoma withholding tax. The 6.75-percent withholding tax signed into law on June 5, 2000, does **not** apply to royalty payments made directly to the Minerals Management Service (MMS) for royalties on production from Federal, Indian tribal, or Indian allotted leases. The withholding tax also does **not** apply to royalty payments made directly to any federally recognized tribe.

Oklahoma Senate Bill 1048 (SB 1048) requires remitters of oil and gas royalty payments to withhold 6.75 percent of payments to non-Oklahoma residents for the gross value of oil and gas production in the State of Oklahoma. This is effective for all royalty payments made on or after October 1, 2000, regardless of the production date. However, Section 7 B of SB 1048 provides that the obligation to deduct and withhold 6.75 percent from gross royalty payments does **not** apply to payments that are made to the following:

- Current or permanent residents of Oklahoma
- The United States, this State, or any State or Federal agency or political subdivision
- Any federally recognized tribe

**DO NOT** deduct the 6.75-percent withholding tax when making royalty payments directly to MMS for oil and gas produced in the State of Oklahoma from Federal, tribal, or allotted leases or when making royalty payments directly to any federally recognized tribe.

Please call Mr. Richard Adamski at (303) 231-3640 if you have any questions regarding this letter.

Sincerely,

  
Lucy Querques Denett  
Associate Director for  
Minerals Revenue Management