Severance Tax

The severance tax, enacted by the Ohio General Assembly effective in 1972, is paid by persons or firms that extract, or sever, certain natural resources from the soil or waters of Ohio. The tax produced $10.6 million during fiscal year 2010. Severers are licensed by the Tax Commissioner and other designated state agencies.

Taxpayer

(Ohio Revised Code 5749.02)

The tax is paid by holders of severance permits.

Tax Base

(R.C. 5749.02)

The tax is levied on the weight or volume of certain natural resources extracted from the soil or water of Ohio.

Rates

(R.C. 5749.02)

The tax rates on the severance of most natural resources are as follows:

Resource	Tax Rate
Clay, sandstone, shale, conglomerate, gypsum and quartzite	1 cent per ton
Dolomite, gravel, sand and limestone	2 cents per ton
Natural gas	2.5 cents per Mcf [1]
Oil	10 cents per barrel
Salt	4 cents per ton

The base tax rate on coal is 10 cents per ton. This does not include two additional levies that have applied since April 1, 2007:

- An additional 1.2 cents per ton on surface mining operations.
- An additional 12, 14 or 16 cents per ton reclamation tax on operations without a full cost bond, depending on the amount. This rate varies based on the amount remaining in the state Reclamation Forfeiture Fund at the end of each state budget biennium. The rate is 12 cents if the balance of the fund is $10 million or more; 14 cents if it is between $10 million and $5 million; and 16 cents if it is $5 million or less.

Exemptions and Credits

(R.C. 5749.03)

An annual exemption applies to natural resources used on the land from which they are taken by the severer, as part of the improvement of or use in the severer's homestead. The exemption is limited to resources with a yearly cumulative market value of $1,000 or less.

Special Provisions

The Chief of the Division of Mineral Resources Management certified on June 30, 2009 that the balance of the Reclamation Forfeiture Fund was less than $5 million. As a result, the reclamation tax rate on coal mining operations without a full cost bond is 16 cents effective Jan. 1, 2010. The previous rate was 14 cents.

Although not a part of the severance tax, oil and gas well owners are subject to an oil and gas regulatory cost recovery assessment effective July 1, 2010. The assessment is based on a formula that takes into consideration the number of wells owned, the production of those wells, and the amount of severance tax paid. This assessment is reported on the severance tax return by either the owner or severer.

Filing and Payment Dates

(R.C. 5749.06)

Payments are due May 15, Aug. 14, Nov. 14, and Feb. 14 for the quarterly periods ending the last day of March, June, September, and December, respectively. Annual returns are due Feb. 14.

Disposition of Revenue

(R.C. 5749.02)

The Geological Mapping Fund receives:

- 4.76 percent of the 10 cent per ton base tax on coal;
- 15 percent of salt severance tax collections through Oct. 15, 2009 and all salt severance revenue thereafter.
- 7.5 percent of limestone, dolomite, sand, and gravel severance tax collections; and
- 10 percent of oil and gas severance tax collections.

The Unreclaimed Lands Fund receives:

- 14.29 percent of the 10 cents tax on coal;
- 42.5 percent of limestone, dolomite, sand, and gravel severance tax collections;
- 85 percent of salt severance tax collections through Oct. 15, 2009; and
- all of the 1.2 cent tax on coal mined using surface mining methods.

The Oil and Gas Well Fund receives 90 percent of the oil and gas severance tax collections.

1 Mcf means 1,000 cubic feet.

The Coal Mining Administration Fund receives 80.95 percent of the 10 cents tax on coal. The Reclamation Forfeiture Fund receives all of the revenue from the tax on coal operations without a full cost bond, which may vary from 12 cents to 16 cents depending on the amount in the fund.

The Surface Mining Administrative Fund receives:

- 50 percent of limestone, dolomite, sand, and gravel severance tax collections;
- all clay, sandstone, conglomerate, shale, gypsum, and quartzite severance tax collections.

Administration

The tax is administered by the Tax Commissioner, who also makes distribution to the various funds.

Ohio Revised Code Citations

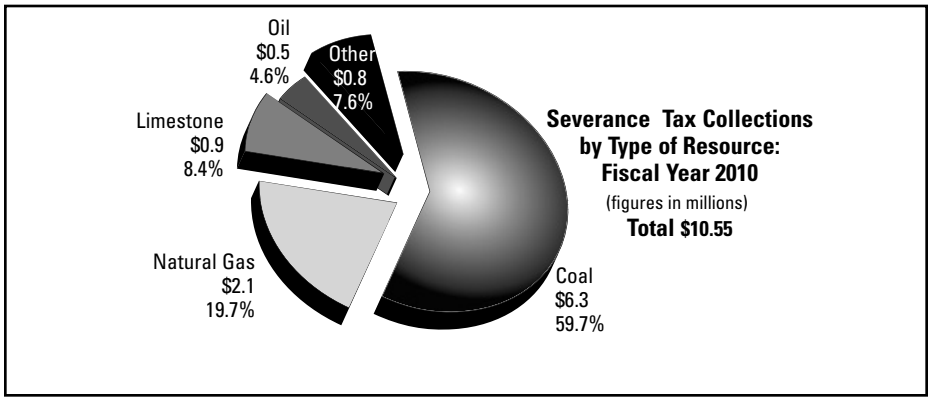
Chapter 5749.

Recent Legislation

House Bill 1, 128th General Assembly

Change to revenue distribution of salt severance tax – This bill amended R.C. 5749.02(B), effective Oct. 16, 2009, to begin crediting all revenues from the salt component of the severance tax to the Geological Mapping Fund. Previously, the fund had only received 15 percent of revenue from salt severance.

Chart



Table

Severance Tax Collections
Fiscal Years 2006-2010

Natural Resource	Tax Rate	2006	2007	2008	2009	2010
Coal	10 cents per ton	$2,216,710	$2,016,846	$2,224,007	$2,717,837	$2,668,161
Coal - Reclamation Tax	0.14 cents per ton	-	-	2,159,954	3,435,718	3,488,169
Coal - Surface Mining	0.012 cents per ton	-	-	79,891	118,923	112,845
Natural Gas	2.5 per 1,000 cubic feet	2,023,276	1,945,713	1,973,148	2,069,704	2,067,986
Limestone	2 cents per ton	1,360,579	1,252,499	1,299,974	1,111,512	883,334
Oil	10 cents per barrel	530,817	505,876	528,280	499,297	487,165
Gravel	2 cents per ton	718,526	580,400	394,991	337,919	256,826
Sand	2 cents per ton	510,446	475,825	405,561	369,937	293,012
Dolomite	2cents per ton	41,539	11,840	19,443	41,464	9,006
Salt	4 cents per ton	200,422	167,562	211,046	245,660	233,521
Clay	1 cents per ton	23,230	14,847	21,982	12,890	11,501
Sandstone	1 cents per ton	23,542	16,631	17,669	14,321	8,928
Shale	1 cents per ton	25,379	27,292	24,693	33,895	27,752
Gypsum	1 cents per ton	-	-	-	-	-
Quartzite	1 cents per ton	2,364	3,343	2,152	2,155	2,116
Total		**$7,676,830**	**$7,018,674**	**$9,362,791**	**$11,011,233**	**$10,550,320**

Ohio

Part III: Revenue Sharing