

## Severance Tax

### Taxpayer

The tax is paid by holders of a severance permit.

### Tax Base

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

### Rates

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

### Major Exemptions

Natural resources with a market value of \$1,000 or less annually are exempt if they are used on the same property from which the property owner extracted them.

### Revenue

(In Millions)

Fiscal Year	Total
2007	\$7.0
2008	9.4
2009	11.1
2010	10.6
2011	11.2

### Disposition of Revenue

Fractional amounts of the severance tax are allocated to the following funds:

- Oil and Gas Well Fund.
- Unreclaimed Lands Fund.

- Coal Mining Administration and Reclamation Reserve Fund.
- Reclamation Supplemental Forfeiture Fund.
- Geological Mapping Fund.
- Surface Mining Administrative Fund.

### Payment Dates

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.

### Special Provisions/Credits

The levy imposed on coal operations without a full cost bond can vary from 12 cents to 16 cents depending on the amount in the Reclamation Forfeiture Fund at the end of each fiscal biennium. The current rate, effective Jan. 1, 2010, is 16 cents; 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.

### Sections of Ohio Revised Code

Chapter 5749.

<sup>1</sup> This base rate does not include an additional 1.2 cents per ton levy for surface mining operations or an additional 12, 14 or 16 cents per ton levy on operations without a full cost bond. The additional rate on operations without a full cost bond varies based on the amount remaining in the Reclamation Forfeiture Fund at the end of each state fiscal 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.

<sup>2</sup> An Mcf is 1,000 cubic feet.

## Responsibility for Administration

Tax Commissioner.

## History of Major Changes

- 1971** General Assembly enacts House Bill 475, creating the tax effective Jan. 1, 1972.
- 1981** House Bill 1051 enacts a temporary 1 cent per ton additional tax on coal, to be collected depending on the balance in the Defaulted Areas Fund.
- 1983** Effective July 1, 1983, House Bill 291 increases rates from 3 cents to 10 cents per barrel on oil and from 1 cent to 2.5 cents per Mcf of natural gas.
- 1985** House Bill 238 increases the permanent rate on coal from 4 cents to 7 cents per ton, and includes a second 1 cent per ton temporary tax on coal, also conditioned on the balance in the Defaulted Areas Fund. On July 1, 1985, collection begins on both temporary coal levies.
- 1989** Effective July 1, House Bill 111 increases the rate on limestone, dolomite, sand, and gravel by 1 cent per ton. The bill also levies a 1 cent per ton tax on clay, sandstone, shale, conglomerate, gypsum, and quartzite.
- 1998** The 122nd General Assembly enacts Senate Bill 187, making one of the temporary 1 cent per ton coal levies permanent effective the following year.
- 2006** Effective April 1, 2007, House Bill 443 changes the base rate on coal to 10 cents per ton, eliminating the old temporary levy. The bill also adds an additional levy of 1.2 cents per ton for surface mining operations and an additional levy of up to 16 cents per ton on operations without a full cost bond.
- 2009** House Bill 1 directs all revenue from the salt component of the tax to the Geological Mapping Fund; previously, the fund received only 15 percent of this revenue.
- 2010** Senate Bill 165 creates an oil and gas “regulatory cost recovery assessment” effective July 1, 2010. While not part of the severance tax, the assessment is reported on severance tax returns.

## Comparisons with Other States

(As of March, 2009)

Massachusetts, New Jersey, New York, and Pennsylvania do not have severance taxes. Rates in other states are listed below.

State/Resource	Rate
<b>California</b>	
Oil and gas	7.90758 cents per barrel of oil or each 10 Mcf of natural gas.
Timber	2.9 percent of total immediate harvest value.
<b>Florida</b>	
Oil	5 percent of gross value for small well oil and tertiary oil; 8 percent of gross value for all other oil; escaped oil, 12.5 percent additional.
Gas	45.7 cents per 1,000 cubic feet of gas produced.
Sulfur	\$4.78 per long ton.
Minerals <sup>1</sup>	8 percent of market value.
<b>Illinois</b>	
Timber	4 percent of market value.
<b>Indiana</b>	
Oil and gas	Either 1 percent of value or 24 cents per barrel and 3 cents per Mcf, whichever is greater.
<b>Kentucky</b>	
Oil	4.5 percent of market value.
Coal and other natural resources <sup>2</sup>	4.5 percent of gross value; the minimum tax on coal for a reporting period is 50 cents per ton severed. <sup>3</sup>

<sup>1</sup> Except phosphate rock and heavy minerals.

<sup>2</sup> The Kentucky tax on limestone for specified purposes is limited to 14 cents per ton; the tax on clay used for specified purposes is 12 cents per ton. Taxpayers who sell and process clay within the state to landfill owners for the purpose of landfill construction are eligible for a credit equal to tax paid.

<sup>3</sup> Coal used for burning solid waste is taxed at the lesser of 50 cents or 4 percent of the selling price per ton.

**Michigan**

Oil	7.6 percent of gross value. <sup>1</sup>
Gas	6 percent of gross value.

**Ohio**

**(As described in the Rates section in this chapter.)**

**Texas<sup>2</sup>**

Gas	7.5 percent of market value.
Oil and gas condensate	The greater of 4.6 percent of market value or 4.6 cents per 42-gallon barrel.
Recovered oil	2.3 percent of market value.
Sulfur	\$1.03 per long ton.

**West Virginia**

Coal	5 percent of gross market value. <sup>3</sup>
Coal refuse (or gob piles)	2.5 percent of gross market value.
Coal bed methane	5 percent of gross market value.
Limestone and sandstone	5 percent of gross market value.
Oil	5 percent of gross market value.
Natural gas	5 percent of gross market value plus 4.7 cents per Mcf.
Timber	4 percent of gross market value.
Other natural resources	5 percent of gross market value.

<sup>1</sup> In Michigan, a lesser rate of 5 percent of gross cash market value for crude oil from stripper wells and marginal producing properties.

<sup>2</sup> Rates shown for Texas do not include additional oil field and gas field clean-up fees.

<sup>3</sup> Rate shown includes a 0.35 percent additional local tax on coal. However, the rate shown does not include the following: 14.4 cents per ton of clean coal mined through a surface mine operation, and 58 cents per ton on all coal mined in the state.