

Severance Tax

The severance tax, first levied 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 approximately \$7.0 million during Fiscal Year 2007. Severers are licensed by the Tax Commissioner and other designated state agencies.

Taxpayer (Ohio Revised Code 5749.02)
Each severer.

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)

July 1, 2007 - March 31, 2007

Type of Resource	Rate
Salt	4 cents per ton
Coal	9 cents per ton ¹
Oil	10 cents per barrel
Natural Gas	2.5 cents per 1,000 cubic feet
Limestone, Dolomite, Sand, and Gravel	2 cents per ton
Clay, Conglomerate, Gypsum, Quartzite, Sandstone, and Shale	1 cent per ton

¹ Includes temporary tax of 1.0 cent per ton (R.C. 5749.02)

April 1, 2007 and Forward

Type of Resource	Rate
Salt	4 cents per ton
Coal - Base Rate	10 cents per ton
Coal - Reclamation	14 additional cents per ton from "D" class permits whom have chosen to pay in to the reclamation fund rather than post a full cost performance security with the Ohio Department of Natural Resources
Coal - Surface Mining	1.2 additional cents per ton of coal mined from a surface mining operation
Oil	10 cents per barrel
Natural Gas	2.5 cents per 1,000 cubic feet
Limestone, Dolomite, Sand, and Gravel	2 cents per ton
Clay, Conglomerate, Gypsum, Quartzite, Sandstone, and Shale	1 cent per ton

Exemptions and Credits (R.C. 5749.03)

An annual exemption is granted for natural resources used on the land from which they are taken by the severer, as part of the improvement of or use in their homestead, which have a yearly cumulative market value of \$1,000 or less.

Special Provisions

Temporary Coal Tax: (R.C. 5749.02(D))

Through March 31, 2007, a temporary 1 cent per ton tax on coal was in place for any year in which it was deemed that the balance of the Reclamation Supplemental Forfeiture Fund, plus transfers to the fund and the estimated revenue for the fund, was not sufficient to reclaim lands during that year. Effective April 1, 2007 permanent changes were made with respect to the taxation of coal (see **Recent Legislation**).

Filing and Payment Dates (R.C. 5749.06)

Quarterly – May 15, Aug. 14, Nov. 14, and Feb. 14, for quarterly periods ending the last day of March, June, September, and December, respectively.

Annually – Feb. 14 for annual returns.

Disposition of Revenue (R.C. 5749.02)

Through March 31, 2007:

- To fund the Geological Mapping Fund, the following distributions were made:
 - 6.3 percent of 7 cents of the 9 cents tax on coal;
 - 15 percent of salt severance tax collections;
 - 7.5 percent of limestone, dolomite, sand, and gravel severance tax collections; and
 - 10 percent of oil and gas severance tax collections.
- To fund the Unreclaimed Lands Fund, the following distributions were made:
 - 21.6 percent of 7 cents of the 9 cents tax on coal;
 - 42.5 percent of limestone, dolomite, sand, and gravel severance tax collections; and
 - 85 percent of salt severance tax collections.
- To fund the Oil and Gas Well Fund, 90 percent of the oil and gas severance tax collections was distributed to the fund.
- To fund the Coal Mining Administration and Reclamation Reserve Fund, 57.9 percent of 7 cents of the 9 cents tax on coal was distributed to this fund.
- To fund the Reclamation Supplemental Forfeiture Fund, the following distributions were made:

- (a) one cent per ton levy on coal;
 - (b) revenue from the temporary 1 cent per ton levy on coal; and
 - (c) 14.2 percent of 7 cents of the 9 cents per ton levy on coal.
6. To fund the Surface Mining Administrative Fund, the following distributions were made:
- (a) 50 percent of limestone, dolomite, sand, and gravel severance tax collections;
 - (b) 100 percent of the clay, sandstone or conglomerate, shale, gypsum, and quartzite severance tax collections.

Effective April 1, 2007 (bold items represent changes as a result of House Bill 443):

1. To fund the Geological Mapping Fund, the following distributions are made:
 - (a) **4.76 percent of the 10 cents tax on coal;**
 - (b) 15 percent of salt severance collections;
 - (b) 7.5 percent of limestone, dolomite, sand, and gravel severance tax collections; and
 - (c) 10 percent of oil and gas severance tax collections.
2. To fund the Unreclaimed Lands Fund, the following distributions are made:
 - (a) **14.29 percent of the 10 cents tax on coal;**
 - (b) 42.5 percent of limestone, dolomite, sand, and gravel severance tax collections;
 - (c) 85 percent of the salt severance tax collections, and
 - (d) **100 percent of the 1.2 cent tax on coal mined using surface mining methods.**
3. To fund the Oil and Gas Well Fund, 90 percent of the oil and gas severance tax collections are distributed to this fund.
4. **To fund the Coal Mining Administration Fund, 80.95 percent of the 10 cents tax on coal is distributed to this fund.**

5. **To fund the Reclamation Forfeiture Fund, 100 percent of the 14 cents per ton tax for the reclamation of coal mining sites is distributed to this fund.**
6. To fund the Surface Mining Administrative Fund, the following distributions are made:
 - (a) 50 percent of limestone, dolomite, sand, and gravel severance tax collections;
 - (b) 100 percent of the clay, sandstone, or 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

Substitute House Bill 443, 126th General Assembly (effective April 1, 2007).

- Changed the rates and the rate structure of severance taxes imposed on coal.
- Removed the temporary one cent per ton rate previously imposed on coal and levied a new base rate of 10 cents per ton on all coal.
- Levied an additional 1.2 cents per ton on any coal severed using surface mining methods.
- Required all coal mining locations to either post a full cost bond necessary to recover damaged lands or pay an additional 14 cents per ton into the Reclamation Forfeiture Fund to be used to restore damaged lands. The actual per-ton rate paid into this fund can vary every two years, from 12 cents to 16 cents, depending on the balance remaining in this fund at the end of each fiscal biennium.
- Made changes to the distribution of revenues imposed on coal (see **Disposition of Revenue**).

Recent Information Releases

XT 2007-02 – “Severance Tax Increase on Coal,” March 2007.



Chart
Severance Tax Collections
by Type of Resource:
Fiscal Year 2007
 (figures in millions)

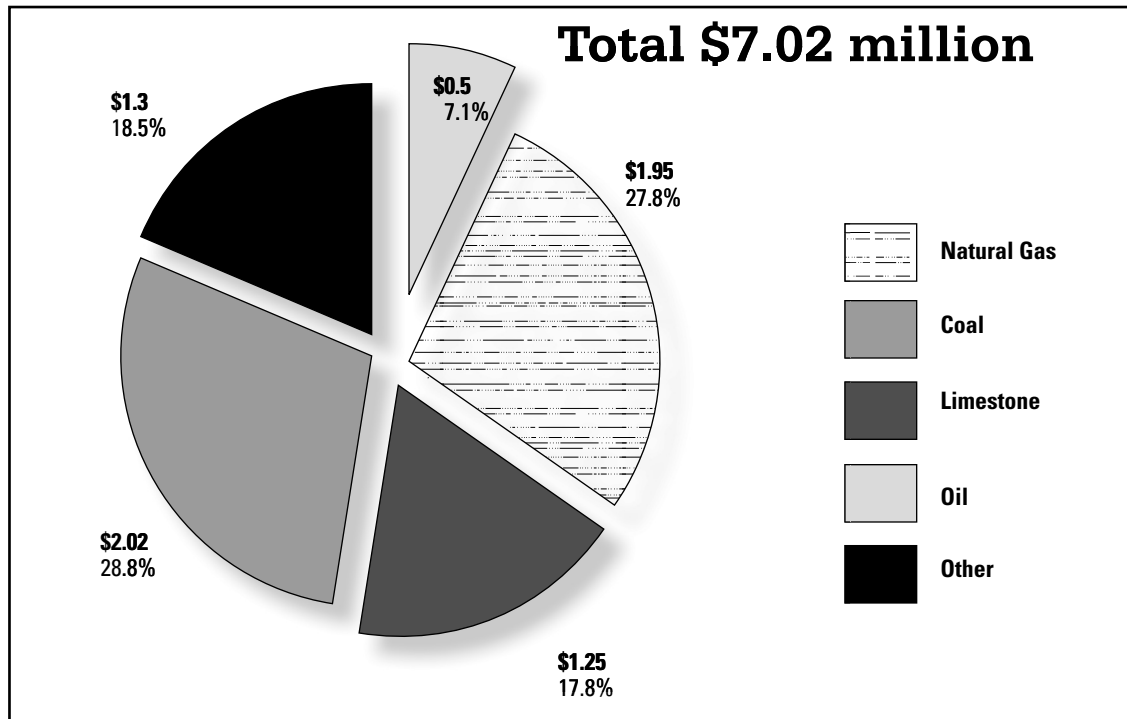


Table
Severance Tax Collections:
Fiscal Years 2003 - 2007

Natural Resource	Tax Rate	2003	2004	2005	2006	2007
Coal	9.0 cents per ton	\$1,897,705	\$1,992,269	\$2,052,560	\$2,216,710	\$2,016,846 ¹
Natural Gas	2.5 per 1,000 cubic feet	2,251,683	2,155,185	2,104,101	2,023,276	1,945,713
Limestone	2.0 cents per ton	1,402,610	1,454,611	1,512,348	1,360,579	1,252,499
Oil	10.0 cents per barrel	570,225	535,399	510,481	530,817	505,876
Gravel	2.0 cents per ton	569,608	562,308	621,376	718,526	580,400
Sand	2.0 cents per ton	521,454	505,841	506,396	510,446	475,825
Dolomite	2.0 cents per ton	83,534	81,296	41,278	41,539	11,840
Salt	4.0 cents per ton	127,967	168,328	186,956	200,422	167,562
Clay	1.0 cents per ton	11,866	19,801	19,742	23,230	14,847
Sandstone	1.0 cents per ton	11,277	11,273	15,594	23,542	16,631
Shale	1.0 cents per ton	11,480	23,761	23,833	25,379	27,292
Gypsum	1.0 cents per ton	0	139	0	0	0
Quartzite	1.0 cents per ton	3,405	3,146	2,986	2,364	3,343
Total		\$7,462,814	\$7,513,357	\$7,597,651	\$7,676,830	\$7,018,674

¹ Collections given for coal do not reflect changes implemented by H.B. 443. Due date for 2nd quarter returns was Aug. 15, 2007.

Source: Department of Taxation, as reported on tax returns.