

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 ¹
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 ²
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
2009	\$9.4
2010	11.0
2011	11.6
2012	10.2
2013	12.3

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, 2012, is 14 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.

Responsibility for Administration

Tax Commissioner.

¹ 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.

² An Mcf is 1,000 cubic feet.

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 July, 2013)

Massachusetts, New Jersey, New York, and

Pennsylvania¹ do not have severance taxes. Rates in other states are listed below.

State/Resource	Rate
California	
Oil and gas	14.26683 cents per barrel of oil or each 10 Mcf of natural gas produced.
Timber	2.9 percent of total immediate harvest value.
Florida	
Oil	5 percent of gross value for small well oil, for tertiary oil and mature field recovery oil a tiered rate of 1 percent of the first \$60 of gross value, 7 percent of a gross value greater than \$60 and less than \$80 and 9 percent of gross value of \$80 or greater, and 8 percent of gross value for all other oil; escaped oil, an additional 12.5 percent of gross value.
Gas	\$0.258 per MCF.
Sulfur	\$6.50 per ton.
Minerals ²	8 percent of taxable value.
Illinois	
Gas	0.1 percent of gross revenue; hydraulic fracturing tax at 3 percent of the value of gas severed for a period of 24 months in which the gas was first produced and 6 percent thereafter.

¹ Pennsylvania levies impact fees on unconventional gas wells ranging from \$60,000 in the first year of production to \$5,000 in the fifteenth year of production, varying with the price of natural gas. The fee is not levied on stripper or marginal wells.

² Except phosphate rock and heavy minerals, on which rates of 1.61 and 1.34 percent are levied, respectively.

Oil	0.1 percent of gross revenue; hydraulic fracturing tax at 3 percent of the value of oil severed for a period of 24 months in which the oil was first produced and, thereafter, 3 to 6 percent depending on average daily production from the well.
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Timber	4 percent of gross value.
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Indiana

Oil and gas	Either 1 percent of value or 24 cents per barrel and 3 cents per Mcf, whichever is greater.
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Kentucky

Oil	4.5 percent of gross value.
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Gas, coal & other natural resources ³	4.5 percent of gross value; the minimum tax on coal for a reporting period is 50 cents per ton severed.
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Michigan

Oil	6.6 percent of gross value. ^{4,5}
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Gas	5 percent of gross revenue. ⁵
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Nonferrous metallic minerals	2.75 percent of taxable mineral value.
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Ohio

See rates section of this chapter.

Texas⁶

Gas	7.5 percent of market value.
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Oil and gas concentrate	The greater of 4.6 percent of market value or 4.6 cents per 42-gallon barrel.
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Recovered oil	2.3 percent of market value.
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Sulfur	\$1.03 per long ton.
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Crude Petroleum Tax	0.0001875 cents per barrel in addition to oil production tax.
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West Virginia

Coal	5, 2 or 1 percent of gross market value, depending on the thickness of the seam. ⁷
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Coal refuse (or gob piles)	2.5 percent of gross market value if extracted and processed.
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Coal bed methane	4.7 percent of gross market value.
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Limestone and sandstone	5 percent of gross market value.
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Oil	5 percent of gross market value.
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Natural gas	5 percent of gross market value plus 4.7 cents per Mcf.
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Timber	4 percent of gross market value. ⁸
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Other natural resources	5 percent of gross market value.
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³ 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.

⁴ In Michigan, a lesser rate of 4 percent of gross cash market value for crude oil from stripper wells and marginal producing properties.

⁵ Does not include oil and gas fee.

⁶ Rates shown for Texas do not include additional oil field and gas field clean-up fees.

⁷ Rate shown includes a 0.35 percent additional local tax on coal. However, the rate shown does not include the following: 27.9 cents per ton of clean coal mined through a surface mine operation, and 56 cents per ton on all coal mined in the state.

⁸ Rate shown includes 1.22 percent basic rate and 2.78 percent temporary additional tax.