



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 \$26.9 million during fiscal year 2015. 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

Coal: 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 home- stead. 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, 2013 that the balance of the Reclamation Forfeiture Fund was greater than \$10 million. As a result, the reclamation tax rate on coal mining operations without a full cost bond is 12 cents per ton effective Jan. 1, 2014.

Although not 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 in addition to the 2.5 cents per Mcf tax paid on natural gas and 10 cents per barrel paid on oil. The 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, August 14, November 14, and February 14 for the quarterly periods ending the last day of March, June, September and December, respectively. Annual returns are due February 14. Electronic filing and payment are required.

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;
- all salt severance revenue;

¹ Mcf means 1,000 cubic feet.

- 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-cent tax on coal;
- 42.5 percent of limestone, dolomite, sand and gravel severance tax collections;
- 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.

The Coal Mining Administration Fund receives 80.95 percent of the 10-cent 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.

Severance Tax Revenues (rounded in millions)	
Fiscal Year	Total
2011	\$11.6
2012	10.2
2013	12.3
2014	15.0
2015	26.9

Source: Office of Budget and Management fiscal reports

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

Amended Substitute HB 59, (130th General Assembly, FY 2014-2015 biennial budget bill)

This bill requires the electronic filing and payment of all severance tax returns and payments.

History of Major Changes

1971	Legislature enacts HB 475, creating the tax effective Jan. 1, 1972.
1981	HB 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, HB 291 increases rates from 3 cents to 10 cents per barrel of oil and from 1 cent to 2.5 cents per Mcf of natural gas.
1985	HB 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 levies.
1989	Effective July 1, 1989, HB 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 SB 187, making one of the temporary 1 cent per ton of coal levies permanent effective the following year.
2006	Effective April 1, 2007, HB 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	HB 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	SB 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.
2013	HB 59 required electronic filing and payment of the tax.

Comparisons with Other States

(As of July 1, 2015)

Georgia and Pennsylvania do not levy severance taxes. Pennsylvania levies impact fees on unconventional gas fees (horizontal wells) ranging from \$50,300 in the first year of production to \$20,100 in the fourth year of production, varying with the price of natural gas; the fee for a vertical unconventional well is 20 percent of the fee for a horizontal unconventional well. Pennsylvania's impact fee does not apply to stripper or marginal wells. Rates in other comparison states are listed below.

State	Commodity	Tax
Indiana	Oil, natural gas	Greater of either 1% of the petroleum value or 3 cents per mcf for natural gas and 24 cents per barrel of oil.
Kentucky	Oil	4.5% of the market value of all crude petroleum produced.
Kentucky	Gas, coal, rock and all forms of minerals	4.5% of gross value of natural resource severed, with a minimum tax of 50 cents per ton on coal.
Michigan	Natural Gas	5.82% of the gross cash market value ¹
Michigan	Oil	7.42% of gross cash market value. ²
Michigan	Nonferrous metallic minerals	2.75% of the taxable mineral value.
North Carolina	Oil and condensate	2% of gross price paid.
North Carolina	Gas	0.9% of market value.
Tennessee	Coal	\$1 per ton.
Tennessee	Mineral	Any county may tax sand, gravel, sandstone, chert, and limestone up to \$0.15 per ton.
Tennessee	Crude Oil and natural gas	3% of sales price.
Texas	Oil and condensate	Greater of 4.6% of the market value or \$0.046 per barrel plus 1/15th of 1 cent per 1,000 cubic feet of natural gas; 2.3% rate applies to recovered oil.
Texas	Crude Petroleum	In addition to tax on oil, 13/16ths of 1 cent per barrel.
Texas	Natural gas other than condensate	7.5% of market value plus 1/15th of 1 cent per mcf.
Texas	Sulphur	\$1.03 per long ton.

West Virginia	Coal ³	5% of gross value plus \$0.56 per ton of clean coal.
West Virginia	Natural gas	5% of gross value at wellhead plus \$0.047 per Mcf of natural gas.
West Virginia	Oil, coalbed methane, natural gas liquids, sandstone, limestone, and other natural resources	5% of gross value at wellhead or immediately upon severance.
West Virginia	Timber	2.78% of gross value.

¹ Carbon dioxide secondary or enhanced recovery project production taxes at 4.82% of gross cash market value.

² Production from a marginal or stripper well taxed at 4.82%.

³ Reduced rates apply to certain mines based on seam thickness, additional taxes apply to clean coal.

Table 2: Severance Tax Collections¹
Fiscal Years 2010 - 2015

Natural Resource	Tax Rate	2010	2011	2012	2013	2014	2015
Coal ²	25.2 cents per ton	\$6,269,174	\$6,792,419	\$5,626,852	\$7,427,496	\$4,461,153	\$4,910,033
Natural Gas	2.5 cents per 1,000 cubic feet	2,067,986	2,108,546	2,049,023	2,270,199	3,320,113	14,377,618
Limestone	2 cents per ton	883,334	1,004,210	1,186,194	1,119,296	1,023,849	1,164,495
Oil	10 cents per barrel	487,165	474,886	467,111	567,887	652,574	1,538,696
Gravel	2 cents per ton	256,826	255,360	260,370	298,933	252,366	303,702
Sand	2 cents per ton	293,012	330,431	329,857	368,858	302,094	328,112
Dolomite	2 cents per ton	9,006	18,714	21,173	46,933	10,586	16,858
Salt	4 cents per ton	233,521	224,192	195,626	152,771	139,478	221,198
Clay	1 cent per ton	11,501	8,830	12,247	13,912	7,974	6,512
Sandstone	1 cent per ton	8,928	9,244	9,642	19,019	15,128	13,447
Shale	1 cent per ton	27,752	20,451	20,631	19,574	8,306	9,611
Gypsum	1 cent per ton	-	-	-	229	-	-
Quartzite	1 cent per ton	2,155	2,012	3,464	2,487	943	1,532
Severance Tax Receipts Fund ³						4,843,386	4,000,019
Total		\$10,550,359	\$11,249,295	\$10,182,190	\$12,307,593	\$15,037,950	\$26,891,833

Source: Office of Budget and Management financial reports.

¹ Excludes revenue from Oil and Natural Gas Regulatory Cost Recovery assessments. FY15 cost recovery assessments were \$1.8 million.

² Includes all coal levies

³ Severance taxes are initially paid into a hold account and then subsequently allocated by using tax returns. This figure represents amounts remaining in the hold fund that will be subsequently transferred into the proper accounts/funds.