



PRESS RELEASE
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Low oil and gas severance tax costs Ohio millions

As a result of the recent boom in horizontal hydraulic fracturing or “fracking,” Ohio now ranks ninth among oil and gas producing states. Ohio still hasn’t caught up with its peers when it comes to taxing the drilling industry -- costing the state hundreds of millions of dollars in the midst of a revenue crunch, according to a new Budget Bite from Policy Matters Ohio.

Ohio taxes oil extracted here by the barrel and gas per thousand cubic feet (MCF). That’s a dime per barrel of oil and 2.5 cents per MCF of natural gas – doubled with regulatory costs assessments, but still very low. Between 2001 and 2010, the state’s severance tax rate amounted to about 0.2 percent on the value of oil and 0.37 percent on natural gas. By comparison, the base rate of the severance tax on natural gas in Texas is 7.5 percent (4.6 percent for condensate). It’s 6 percent in Wyoming, 7 percent in Oklahoma and 5 percent in Arkansas and West Virginia.

In his 2018-2019 budget, Governor Kasich proposes increasing the tax to 6.5 percent for the value of oil, unprocessed natural gas and condensate and 4.5 percent on processed natural gas and natural gas liquids. He estimates the state would collect \$310 million in 2019 at this rate.

In past budgets, Republican legislators killed proposals to increase the severance tax. But as lawmakers cite dwindling revenue and look to cut \$400 million a year from the budget, Ohio can’t afford to leave potential revenue on the table, said Policy Matters Senior Project Director Wendy Patton.

“It’s time for Ohio to implement a real severance tax on fracking, like other states do,” Patton said. “Communities affected by the drilling boom face challenges from road repairs to strains on public safety and the state itself faces declining revenues. The industry needs to pay their fair share.”

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Policy Matters Ohio is a nonprofit, nonpartisan state policy research institute with offices in Cleveland and Columbus.

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