Policy Matters Ohio

Press release

For immediate release
January 14, 2014

Contact: Wendy Patton, 614.582.0048
policymattersohio.org/severance-jan2014

HB 375, new severance tax proposal, needs strengthening

Analysis finds tax is too low, has carve-outs, excludes fracking from CAT

The proposed new severance tax in House Bill 375 would shortchange Ohioans by undervaluing the state's natural resources and granting up to $800 million over 10 years in breaks and exclusions, according to a new report by Policy Matters Ohio.

Under the bill, Ohio's severance tax would remain low compared to other oil- and gas-producing states, and revenues would be directed to tax cuts favoring the most affluent Ohioans rather than filling revenue gaps.

"Severance taxes pay for the loss of a valuable resource that can be removed only once," said Wendy Patton, report author. "Communities deserve a share of that value to make up for costs of extraction, to diversify the economy after the resource is gone, and to meet critical needs."

The report outlines eight recommendations to strengthen HB 375, including: raise tax rates on extraction; provide the state with needed revenue for oversight and other services; trim and target tax breaks in the bill; use proceeds to invest in Ohio, rather than cut income taxes; and base the tax on gross value instead of net proceeds.

HB 375 at a glance

- Ohio severance tax on oil and gas would remain among the lowest of producing states.
- Tax credits and carve-outs could cost $800 million over 10 years.
- Taxes and fees cut in half for conventional (vertical) oil and gas wells.
- Fracked (horizontal) wells excluded from state's Commercial Activity Tax.
- Revenues used to cut income taxes, wealthy get largest cuts.
- Public won't get fair return for use of valuable natural resource.

Severance taxes are needed to ensure proper oversight and regulation of the fracking industry, to mitigate impacts, to meet current needs of the state, and to build diversity in the economy for after the boom is over.

"In its current form, HB 375 actually drains resources from the state," said Patton. "We must not lose the opportunity to harness the shale boom and invest in the future for all Ohioans."

###

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