Policy Matters Ohio

Press release

For immediate release
September 2015

Contact: Wendy Patton, 614.221.4505

A fair fracking tax needed for Ohio

Legislators crafting yet another plan to tax the growing production of oil and gas in eastern Ohio need to keep it simple, make it adequate, avoid tax breaks and use a significant share of the proceeds for local areas impacted by the fracking industry, according to a new brief by Policy Matters Ohio.

Communities bear many costs associated with drilling, trucking, disposal and pipelines. The state tax of 10 cents per barrel of oil and 2 ½ cents per thousand cubic feet of natural gas amounts to a 0.21 percent tax rate, which is inadequate and far below the oil and gas severance taxes of other states.

The Ohio tax rate should be at least 5 percent, the Policy Matters brief says.

"The value of oil and gas produced in Ohio in 2013 was the highest ever recorded, and growth continued into 2014," said Wendy Patton, report author. "As the industry grows, costs to communities where it is located also grow. Ohio is overdue for a fair and adequate severance tax to address these costs."

If Ohio had a severance tax with an effective tax rate of 5 percent since the shale boom started in 2011, up to $140 million would have been generated for infrastructure, housing, emergency response, public health and safety. With an additional fee of 2.5 percent of value for a legacy fund, $70 million could already be in savings to support diversification of the economy after the boom goes bust.

"Ohio's valuable oil and gas resources can only be harvested once," said Patton. "It is time for Ohio to join other producing states and establish a severance tax that can help with the external costs of fracking and create a base for a strong economic future when the oil and gas are gone."

###

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