



State Severance Tax Overview

Commission to Study the Role of Water as a Resource in the State of Maine

Jackson Brainerd, Program Principal

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NCSL Background

NCSL is committed to the success of all legislators and legislative staff. Our mission is to:

- Ensure state legislatures a strong, cohesive voice in the federal system.
- Improve the quality and effectiveness of state legislatures.
- Promote policy innovation and communication among state legislatures.

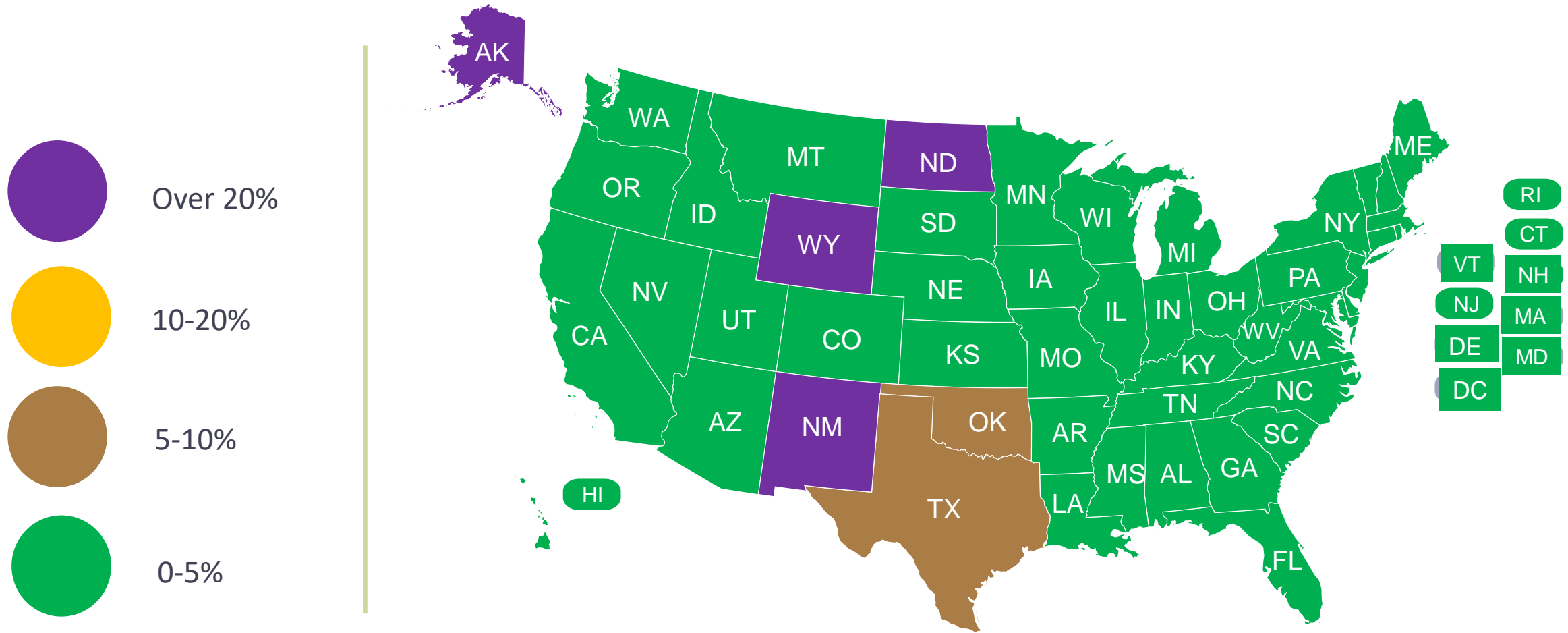


Types of Severance Taxes

- Oil and/or Natural Gas: 38 states
- Coal: 27 states
- Timber: 16 states
- Fish: 2 states
- Other



2021 Severance Taxes as a Percentage of Total Collections

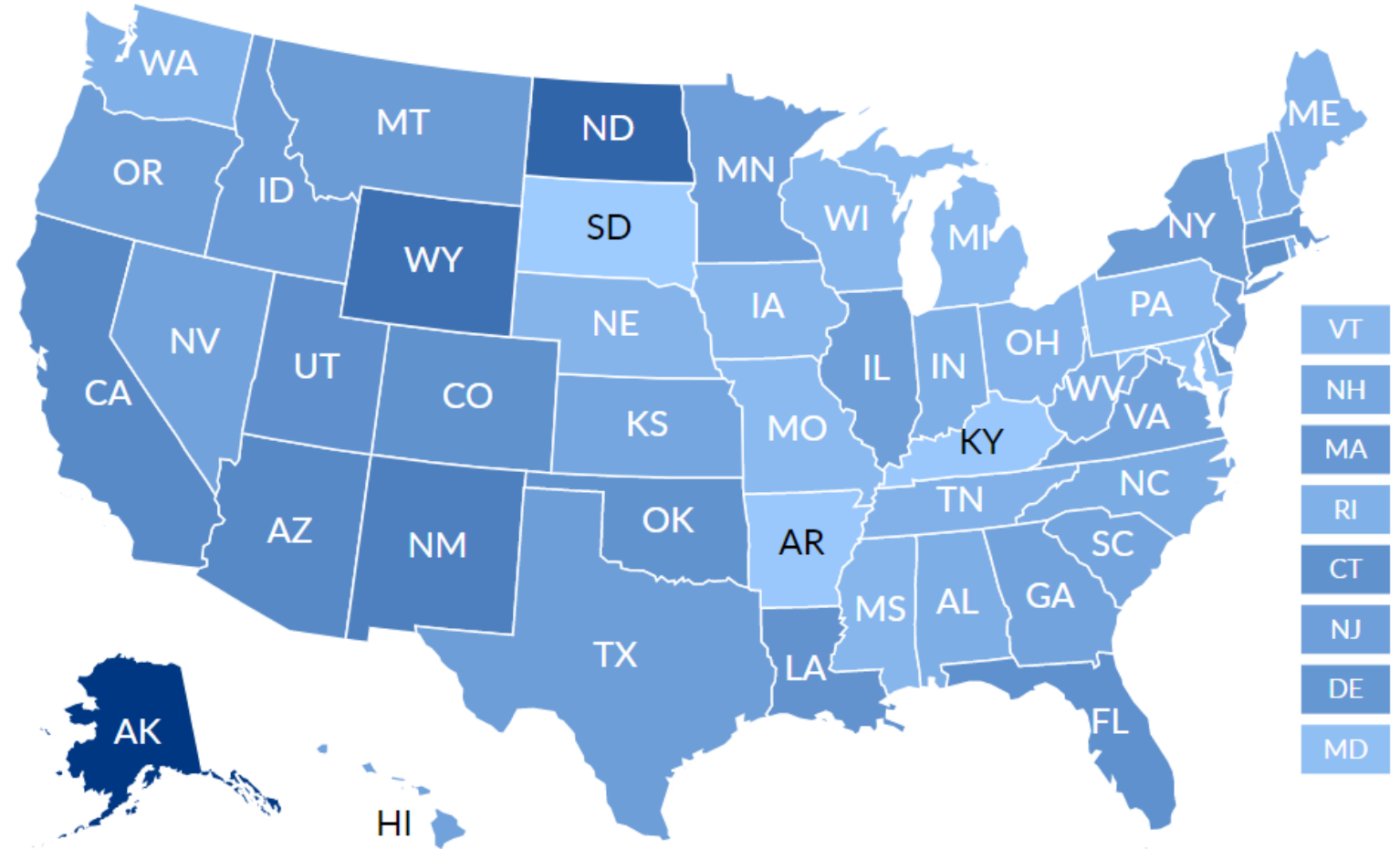


Recent Growth in Severance Tax Collections (in millions)

State	FY 2021	FY 2022	Annual Growth Rate
Texas	\$4,987	\$10,831	117%
New Mexico	\$1,575	\$4,083	159%
North Dakota	\$1,602	\$2,800	75%
Louisiana	\$302	\$491	63%
Alaska	\$389	\$1,949	401%
Wyoming	\$436	\$703	61%
Oklahoma	\$742	\$1,507	103%
West Virginia	\$274	\$769	181%
Montana	\$129	\$224	74%
Total of above	\$10,436	\$23,358	124%

Tax Volatility Scores

State	Volatility Score
1. Alaska	36.9
2. North Dakota	16.4
3. Wyoming	13.3
4. New Mexico	10.2
5. Arizona	8.7
46. Missouri	3.7
47. Maryland	3.4
48. Arkansas	2.9
49. Kentucky	2.9
50. South Dakota	2.7
National Avg.	5.0



Volatility scores based on FY 2000-19 collections, adjusted for tax policy changes

Percentage of National Crude Oil Production by State, 2021

1. Texas: 42.4%
2. Gulf of Mexico: 15.2% (federal)
3. New Mexico: 11.1%
4. North Dakota: 9.9%
5. Alaska: 3.9%
6. Colorado: 3.7%
7. Oklahoma: 3.5%
8. California: 3.3%
9. Wyoming: 2.1%
10. Utah: 0.9%
11. Louisiana: 0.8%

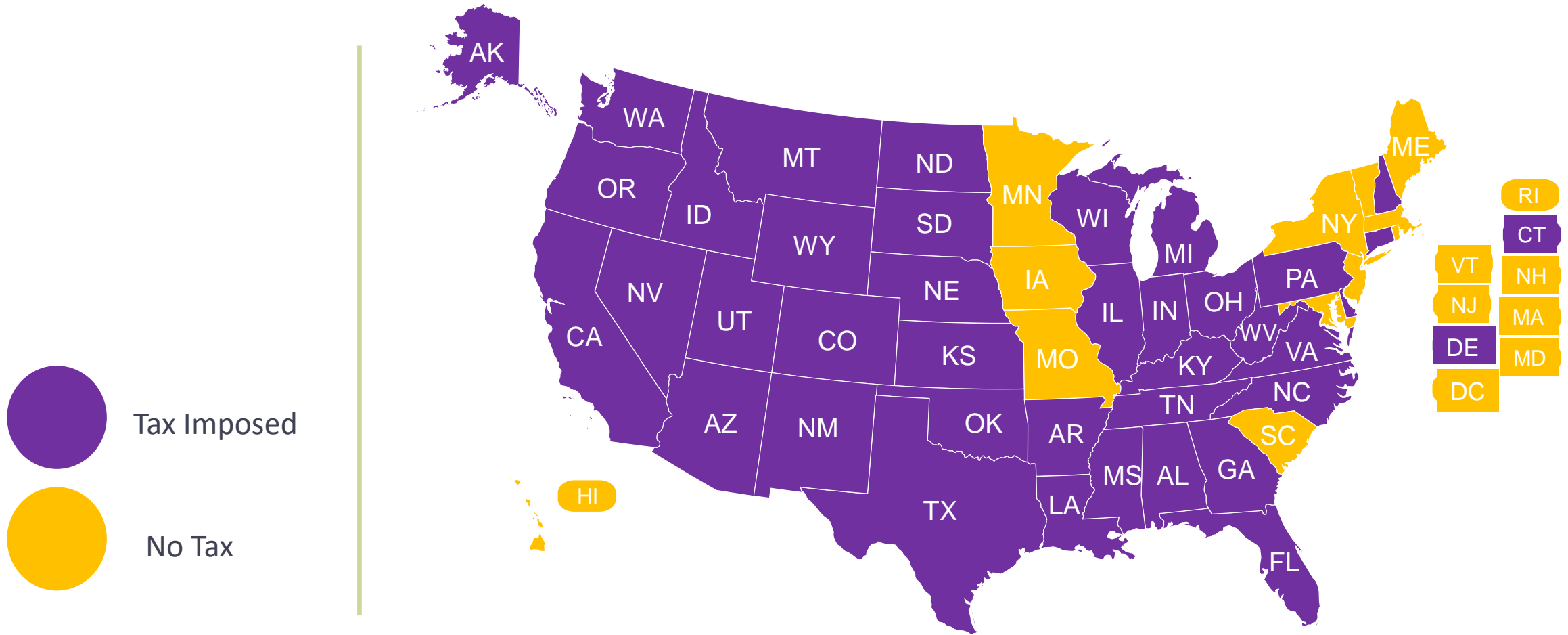


Percentage of National Gas Production by State, 2021

1. Texas: 24.6%
2. Pennsylvania: 21.8%
3. Louisiana: 9.9%
4. West Virginia: 7.4%
5. Oklahoma: 6.7%
6. Ohio: 6.5%
7. New Mexico: 5.9%
8. Colorado: 4.9%
9. Wyoming: 3.0%
10. North Dakota: 2.3%



States Imposing Oil and/or Gas Severance Taxes



Oil and Gas Tax Structures

- **Taxing by value:**

Colorado: Tax is based on gross income from sales of oil and gas. The states uses a tiered system; the lowest bracket taxes gross income under \$25,000 at 2%, the highest taxes gross income over \$300,000 at 5%

Texas: Oil production tax imposed at 4.6% of market value; Gas production tax imposed at 7.5% of market value

New Hampshire: Refined petroleum products tax imposed at 0.01% of fair market value per barrel.

- **Taxing by volume:**

California: \$0.555 per barrel/10 Mcf

Nevada: \$0.15 per barrel of oil or per 50,000 cubic feet of gas.

- **Taxing by value and volume:**

Arkansas: Natural gas is generally taxed at 5% of the market value, w/exceptions for new discovery, high-cost, and marginal gas, which are taxed at 1.5%, 1.5%, and 1.25%, respectively. Oil is taxed at 5% of market value at the time and point of severance. An additional tax is imposed on oil based on the number of barrels produced (\$0.02 per barrel).



Select State Oil and Gas Severance Tax Revenue (in millions)

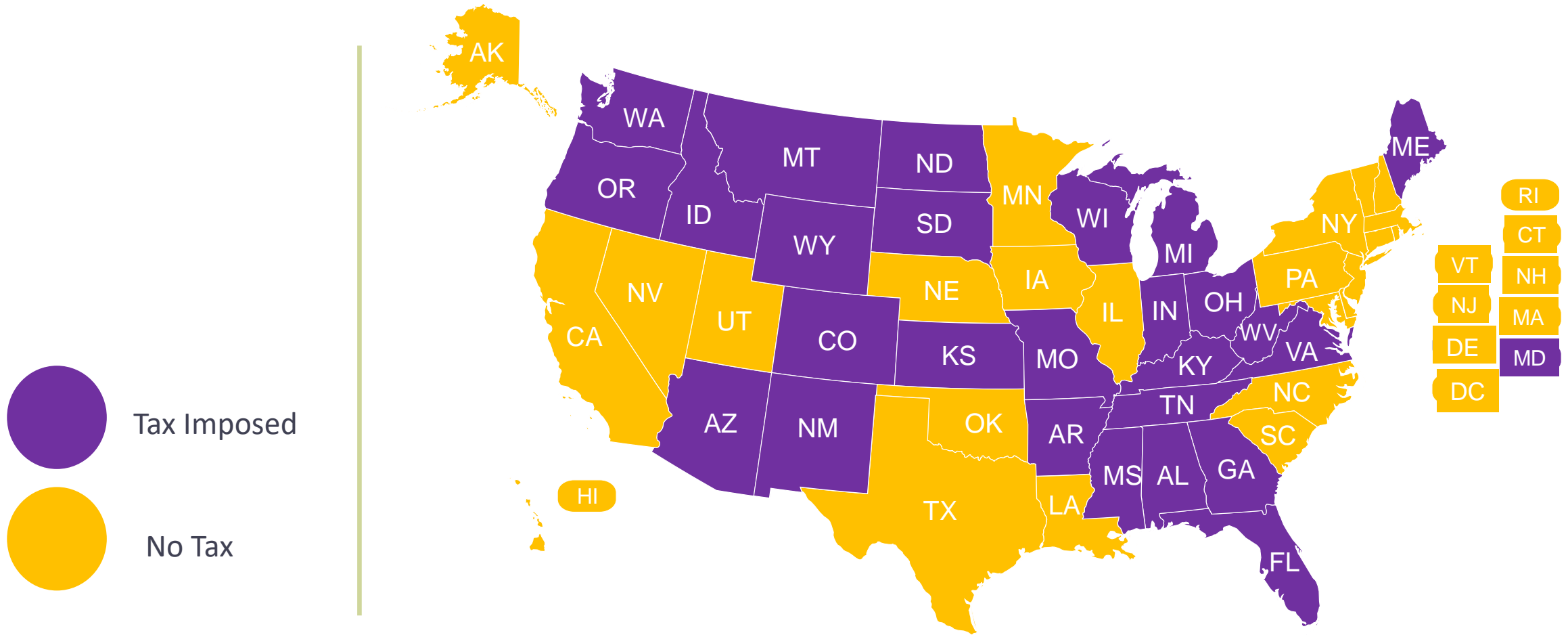
State	Oil and Gas Revenue Report
Texas	In FY 2021, the state natural gas production tax brought in \$1.57 billion. The oil production tax raised \$3.45 billion.
Alaska	The oil and gas production tax raised \$389.0 million in FY 2021. Forecasts estimated \$979.6 million in FY 2022.
Pennsylvania	Despite being the second-largest natural gas producer, the state does not impose a severance tax. Instead, it imposes an annual impact fee for every gas well that is drilled. The fee brought in \$234.4 million in 2021.
Louisiana	In calendar year 2021, the severance tax on oil raised \$152.4 million; the tax on natural gas raised \$101.7 million
North Dakota	Oil severance taxes raised \$400.0 million in FY 2021 biennium
West Virginia	FY 2022: \$409.2 million from natural gas; \$55.8 million from oil, up from \$101.0 million and \$29.4 million in FY 2021.

Percentage of National Coal Production by State, 2021

1. Wyoming: 40.8%
2. West Virginia: 12.6%
3. Pennsylvania: 6.8%
4. Illinois: 5.6%
5. North Dakota: 4.9%
6. Montana: 4.9%
7. Kentucky: 4.5%
8. Indiana: 3.7%
9. Texas: 3.7%
10. Utah: 2.5%



States Imposing Coal Severance Taxes



Coal Severance Tax Structures

- **Taxing by value:**

South Dakota: Tax imposed at 4.5% of the taxable value of coal severed

Wyoming: Tax imposed as a percentage of the product's fair market value. The tax rate for surface coal is 7% and underground coal is taxed at 3.75%

- **Taxing by volume:**

Alabama: \$0.135 per ton of severed coal

Arkansas: \$0.10 per ton of severed coal

Indiana: \$0.055 per ton of coal produced at a surface mining operation; \$0.03 per ton of coal produced at an underground mining operation

- **Taxing by value and volume:**

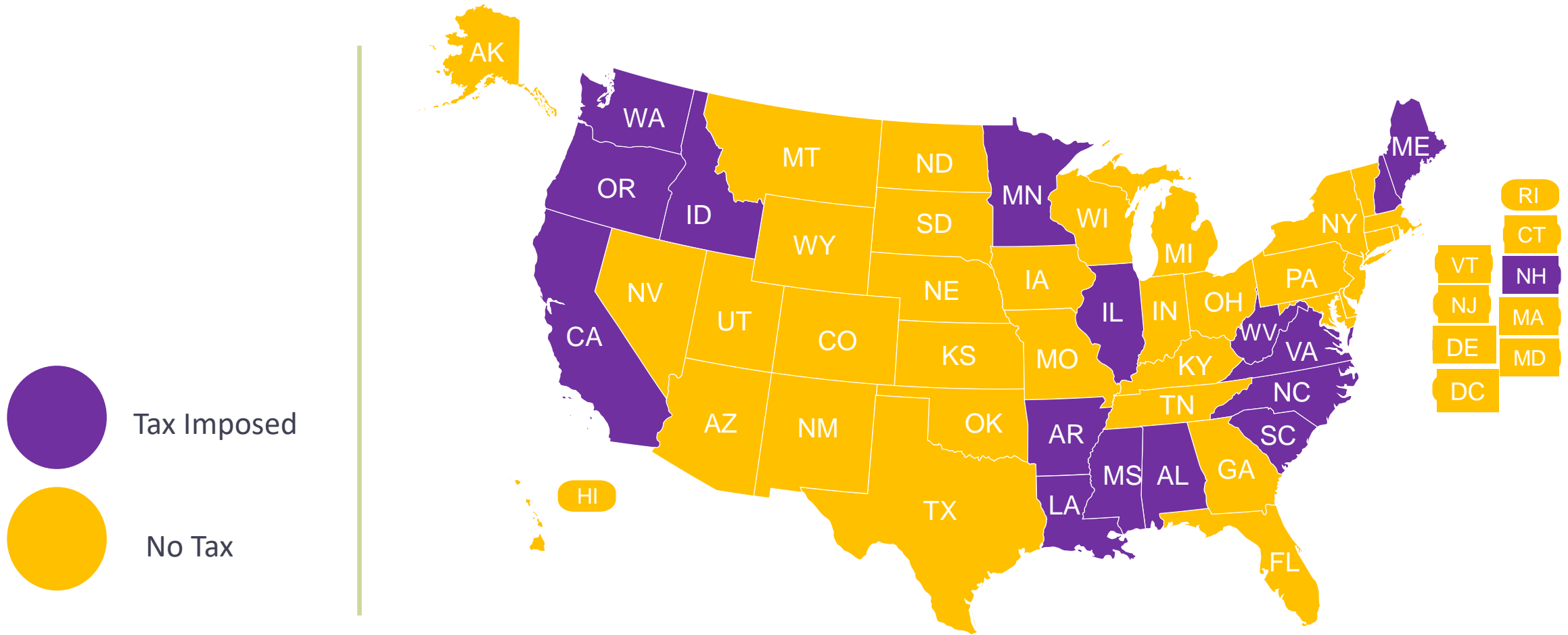
New Mexico: Surface and underground coal are subject to a per-short ton tax of \$0.57 and \$0.55, respectively. The state also imposes a surtax on each ton of coal that rises based on the percentage rise in the producer price index for coal.



Select State Coal Severance Tax Collections (in millions)

State	Coal Revenue Report
Alabama	Coal severance taxes raised \$3.3 million in FY 2021, down 9.8% from a year earlier.
Colorado	Coal severance tax raised \$1.9 million in FY 2021.
Kentucky	Coal severance tax collected \$56.1 million in FY 2021, down -4.7% from a year earlier.
Montana	The coal gross proceeds tax raised \$23.3 million in FY 2020; the coal severance tax raised \$46.7 million.
North Dakota	Coal conversion tax raised \$41.4 million in FY 2021 biennium.
West Virginia	In FY 2022, coal severance tax collections were \$283.6 million, up from \$168.2 million in FY 2021.
Wyoming	Estimated severance tax collectable for coal in 2022 is \$148.8 million.

States Imposing Timber Severance Taxes



Select State Timber Tax Structure Comparison

State	Timber Tax Imposed
Alabama	The forest products severance tax is imposed as a dollar amount on each ton of logs, pulpwood, pilings, poles, and stumpwood (tarwood) severed in-state for sale, profit, or commercial use. Rates vary from \$0.065 per ton to \$0.205 per ton.
California	2.9% timber yield tax based on volume of timber harvested. 1% lumber products assessment on person who purchases a lumber product.
Illinois	The Timber Buy Tax is imposed at 4% of the purchase price.
Louisiana	Tax imposed on the current stumpage value per ton. Rates are 2.25% for trees and timber; 5% for pulpwood.
Maine	Maine forestry excise tax is imposed at 40% of the state forest fire control budget divided by the number of acres of commercial forest land, rounded to the nearest cent, multiplied by the number of acres of commercial forest land owner by each taxpayer.
Minnesota	A forest annual tax is imposed at \$0.10 per acre. An auxiliary forest yield tax is imposed at 10-40% of market value of merchantable timber on the stump at the time of removal.
New Hampshire	10% of stumpage value
North Carolina	Tax imposed at \$0.12-\$0.50 per thousand board feet or per cord, depending on the type of wood.
Oregon	Tax imposed on a per-thousand-feet, board measure, basis. There is a \$0.90 base tax, a \$0.625 fire suppression surtax, a privilege tax for administration of the OR Forest Practices Act (\$2.07) and a privilege tax for forestry education (\$0.21)

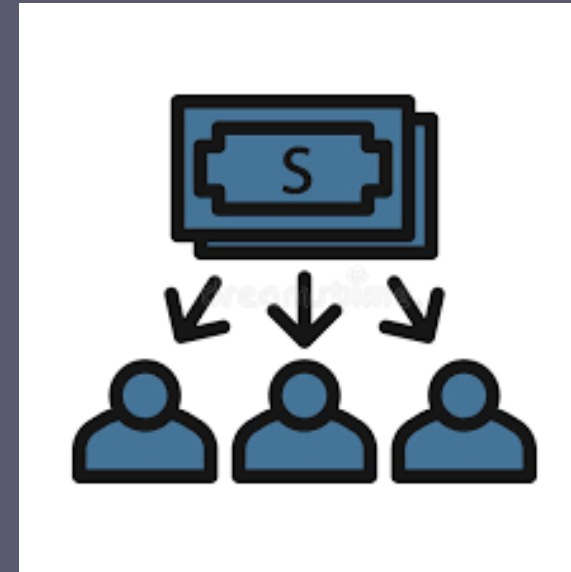
Select State Timber Tax Collections

State	Timber Revenue Report
Alabama	The forest products severance tax generated \$5.9 million in FY 2021, up from \$5.7 million in FY 2020.
Arkansas	FY 2021 timber severance tax revenues were \$3.9 million; have fluctuated between \$2.9 and \$4.3 million since 2007.
California	Timber yield tax generated \$9.5 million in FY 2021; the lumber products assessment fee generated \$63.6 million.
Louisiana	In calendar year 2021, the severance tax on timber raised \$12.2 million. (4.6% of total severance tax revenue)
Washington	The state distributed \$32.5 million to counties from the Timber Excise Tax in FY 2021.



Revenue Distribution

- General fund is a common recipient for oil and gas revenue, as are permanent funds, conservation projects, and local governments.
- Timber tax revenues are often reinvested to benefit forest economies.



Other Severance Taxes

- Fish
- Metals
- Non-metallic minerals
- Salt Water



Recent Severance Tax Enactments and Proposals



Severance Tax Actions

- *California*: In 2021, increased the fee imposed on owners of oil and petroleum products and expanded fees to new types of fuel for funding oil spill prevention activities.
- *Maryland*: In 2021, extended the fee assessed on oil transferred into the state (8 cents/barrel) until July 1, 2024.
- *Mississippi*: In 2018, extended the reduce oil and gas severance tax rate for horizontally drilled wells commencing production before July 1, 2023
- *Nevada*: In 2021, created a new excise tax on businesses engaged in gold or silver extraction whose gross revenue exceeds \$20 million annually.
- *North Dakota*: In 2021, provided temporary tax relief to the lignite industry by reducing the full amount of the general fund portion from coal conversion taxes paid by the lignite power plant and conversion facility operators for a five-year period. The fiscal note valued the tax relief to total \$42.6 million in the next two-year legislative biennium (H 1412).
- *West Virginia*: In 2019, reduced the severance tax rate on steam coal and eliminated tax imposed on limestone and sandstone extraction (H 3142). Created a new severance tax rebate program for coal producers (H 3144).
- Several states have repealed timber severance taxes in recent years: Wisconsin (2017), Missouri (2018), West Virginia (2019). Oregon renewed its forest products harvest tax in 2021 (H 4055).
- Water extraction taxes proposed in Florida (S 652) and Maine (LD 1569) in 2022

Thank You!

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