

TAXATION OF NATURAL GAS: A COMPARATIVE ANALYSIS

Taxes Collected Follow-Up

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Introduction

In response to the October 12, 2011 presentation of the “Taxation of Natural Gas: A Comparative Analysis” to the Joint Interim Finance Subcommittee B, the Center for Business and Economic Research (CBER) compiled the amount of taxes collected on natural gas in the 19 producing states studied. To make this comparison, a ratio will be used comparing the taxes collected in each state to a common denominator of Trillion British Thermal Units (TBTus). This ratio provides a better comparison of the taxes imposed in these states.

Methodology

CBER explores, to the extent possible, the amount of all tax and fee types for the 19 states from the prior CBER analysis. Due to non-availability of information, certain tax types (corporation income tax, sales and use taxes, bonds and environmental taxes or fees) are not widely available for public use and therefore are not included in this summary.

Those taxes and fees gathered for this summary include:

- Real property taxes collected
- Personal property taxes collected
- Severance taxes collected
- Permit fees collected.

In every possible case, tax collections are reported for Calendar Year 2009. However, due to availability, some tax figures included may represent a different calendar or fiscal year. This distinction is noted where applicable in Table 1.

Difficulty in Natural Gas-Specific Collections

While every effort was made in assembling the taxes collected specifically for natural gas, some states do not distinguish between taxes collected for oil and natural gas. In these instances, it is noted that the tax figures include both. This designation is represented by one asterisk (*) in Table 1.

Tax Exclusions by State

Due to the complexity in gathering data from multiple local governments, any tax levied at the local level is not examined. This excludes property taxes in 10 states (Arkansas, Louisiana, Mississippi, New York, Ohio, Oklahoma, Pennsylvania, Tennessee, Texas and Virginia). Additionally, since severance taxes in Virginia are determined locally, this State’s tax is

excluded. Tax types that are not imposed in any of the 19 states studied are also excluded from review. These tax types are represented by two asterisks (**) in Table 1.

Lack of Complete Availability

Although persistent in our efforts, taxes collected for all tax types mentioned above were unavailable in some states. These states may not keep tax records readily on hand. In other instances, taxes collected may not be available for public release as distributing such information could breach privacy concerns with individual producers. Such instances are designated as “Not Available” (N/A) in Table 1.

Establishing the Appropriate Ratio

To establish the appropriate ratio for measuring taxes collected, two common denominators were considered:

- Million cubic feet (MMcf) of natural gas produced
- Trillion British Thermal Units (TBtu) of natural gas and oil produced.

Comparing revenues per MMcf would be the most standard common denominator for taxes collected solely on natural gas, but would not be useful in instances where taxes collected on oil are also included. Therefore, the chosen ratio for this study is revenues per TBtu.

Taxes Collected

Of a total of 46¹ possible tax collection figures, four² were not available at this time. For ease of comparison, two groups are discussed: taxes collected on natural gas exclusively and taxes collected on both oil and natural gas.

Taxes Collected on Natural Gas

Of the tax data collected, 13 figures were specific to natural gas. The majority of these were severance taxes collected, which ranged from a low of \$22,383.41 per TBtu in Ohio to a high of \$378,126.08 per TBtu in Mississippi. It is important to mention that both of these figures, as well as eight other severance tax values, are for a fiscal year (either 2009 or 2010) rather than Calendar Year 2009. Alaska’s severance tax revenue represents Calendar Year 2008.

Kentucky provides the only permit fees collected value specific to natural gas, where \$268.14 in permit fees were collected per TBtu for Calendar Year 2009.

¹ A total of 76 tax types by state are included in Table 1 (four tax types over 19 states). However, 30 of the 76 tax types by state were either not imposed or determined locally and therefore not counted in this total.

² Permit fees in four states (Maryland, New Mexico, Oklahoma and Utah) are not required for submitting permit applications.

Taxes Collected on Oil and Natural Gas

Of the tax data collected, 22 states included taxes and fees specific to both oil and natural gas. The majority of these values were permit fees collected. The range of the permit fees spanned from a low of \$8.63 per TBtu in Alaska to a high of \$29,811.49 per TBtu in Pennsylvania. It is important to mention that eight of the 14 permit fees collected figures represent a different time frame than Calendar Year 2009. Three severance taxes collected figures included both oil and gas and ranged from \$64,045.13 per TBtu in Alabama to \$152,450.07 per TBtu in Colorado. Utah collected \$116,594.12 per TBtu in oil and gas severance taxes in 2009.

Property taxes collected were the most difficult to gather. While the majority of the property taxes were either not imposed or determined locally, availability of data in the seven potential states is still sparse. Only New Mexico returned both real and personal property taxes collected figures for both oil and gas property. Real and personal property taxes collected in Fiscal Year 2009 equaled \$59,951.04 per TBtu and \$14,756.52 per TBtu, respectively. Three states, West Virginia (\$283,474.27 per TBtu), Alaska (\$61,485.48 per TBtu) and Utah (\$69,931.24 per TBtu), could not separate real and personal property and were only able to provide total property taxes collected. This inconsistent availability makes analysis of property taxes per TBtu difficult.

Conclusion

Using TBtu as the measure, the severance tax in West Virginia is the highest except for Mississippi and Oklahoma, and exceeds those in all surrounding states. Four of the states included in the earlier study (Maryland, New Mexico, Oklahoma and Utah) have no permit fees. Revenue from West Virginia's permit fee is lower than those in New York and Tennessee as well as those in the surrounding states of Ohio and Pennsylvania.

Without comparable data on all taxes levied on natural gas in all producing states, it is impossible to determine if West Virginia's total tax burden on natural gas is out of line with other states, particularly those which surround it. Data was not available for either corporate income or sales/use taxes which may impact the natural gas industry. The data in this report should not be used to demonstrate the influence of taxes on the exploration, production, distribution and processing of natural gas in West Virginia.

Table 1 Tax Collections per Trillion British Thermal Units (TBtu) for Calendar Year 2009

State	Real Property Taxes Collected	Personal Property Taxes Collected	Severance Taxes Collected	Permit Fees Collected
West Virginia	\$283,474.27* ⁱ		\$252,408.10	\$2,479.41* ⁱⁱ
Alabama	**	N/A	\$64,045.13* ⁱⁱⁱ	\$10,818.81* ^{iv}
Alaska	\$61,485.48* ^v		\$174,268.11* ^{vi}	\$8.63*
Arkansas	**	**	\$39,747.54* ^{vii}	\$446.25*
Colorado	N/A	N/A	\$152,450.07* ^{viii}	\$737.22*
Kentucky	N/A	**	\$189,057.46* ^{ix}	\$268.14
Louisiana	**	**	\$79,043.26* ^x	\$19.59*
Maryland	**	**	**	No permit fee required.
Mississippi	**	**	\$378,126.08* ^{xi}	\$755.20* ^{xii}
New Mexico	\$59,951.04* ^{xiii}	\$14,756.52* ^{xiv}	\$147,826.58	No permit fee required.
New York	**	**	**	\$12,982.60*
Ohio	**	**	\$22,383.41* ^{xv}	\$4,354.71* ^{xvi}
Oklahoma	**	**	\$339,011.83* ^{xvii}	No permit fee required.
Pennsylvania	**	**	**	\$29,811.49* ^{xviii}
Tennessee	**	**	\$222,496.10* ^{xix}	\$10,438.41* ^{xx}
Texas	**	**	\$174,336.99	\$596.92*
Utah	\$69,931.24*		\$116,594.12* ^{xxi}	No permit fee required.
Virginia	**	**	**	\$110.50*
Wyoming	**	**	\$176,840.78	\$176.03* ^{xxii}

* Both oil and natural gas included.

** Tax type not included.

N/A Taxes collected were not available at this time.

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Endnotes

ⁱ Tax collection data represents Tax Year 2009 rather than Calendar Year 2009. Collection of payments for Tax Year 2009 in West Virginia occurred in September 2009 and February 2010.

ⁱⁱ This estimate includes a small number of work and pit fees which are less than the \$650 permit fee. These smaller fees could not be individually identified. Therefore the estimate represents the total number of oil and natural gas permits issued at the \$650 permit fee.

ⁱⁱⁱ Tax collection data represents Fiscal Year 2009 (October 1, 2008 to September 30, 2009) rather than Calendar Year 2009.

^{iv} *Ibid.*

^v Tax collection data represents Fiscal Year 2009 (July 1, 2008 to June 30, 2009) rather than Calendar Year 2009.

^{vi} Tax collection data represents Calendar Year 2008 rather than Calendar Year 2009.

^{vii} Tax collection data represents Fiscal Year 2009 (July 1, 2008 to June 30, 2009) rather than Calendar Year 2009.

^{viii} *Ibid.*

^{ix} Tax collection data represents Fiscal Year 2010 (July 1, 2009 to June 30, 2010) rather than Calendar Year 2009.

^x Tax collection data represents Fiscal Year 2009 (July 1, 2008 to June 30, 2009) rather than Calendar Year 2009.

^{xi} *Ibid.*

^{xii} *Ibid.*

^{xiii} Tax collection data represents Fiscal Year 2009 (September 1, 2008 to August 31, 2009) rather than Calendar Year 2009.

^{xiv} *Ibid.*

^{xv} Tax collection data represents Fiscal Year 2009 (July 1, 2008 to June 30, 2009) rather than Calendar Year 2009.

^{xvi} *Ibid.*

^{xvii} *Ibid.*

^{xviii} *Ibid.*

^{xix} *Ibid.*

^{xx} *Ibid.*

^{xxi} *Ibid.*

^{xxii} Tax collection data represents Fiscal Year 2010 (July 1, 2009 to June 30, 2010) rather than Calendar Year 2009.