CHAPTER 14. OIL AND GAS SEVERANCE TAX

A severance tax of 6 percent of the gross value at the well is levied on the production of oil and gas within Oregon. Receipts are forecast to be $168,000 for the 2005-07 biennium and $165,000 for the 2007-09 biennium. Net revenue derived from this tax is paid into the Common School Fund.

14.001 FIRST $3,000 IN GROSS SALES VALUE

Oregon Statute: 324.080
Sunset Date: None
Year Enacted: 1981

	Total
2005–07 Revenue Impact:	Less than $50,000
2007–09 Revenue Impact:	Less than $50,000

DESCRIPTION: An exemption from the tax levied on oil or gas severance is granted for the first $3,000 in gross sales value of the gross production each calendar quarter from each well.

PURPOSE: To encourage development of oil and gas reserves.

WHO BENEFITS: Oil and gas producers. There currently are two producers of natural gas in Oregon with a total of 35 wells in Columbia County. There are no producing oil wells in Oregon.

EVALUATION: This provision is effective in encouraging gas producers to conserve the resource by reducing taxes throughout the life of the well production. As wells play out, decisions must be made regarding when to shut down. With this incentive, “end-of-well-life” technologies become economic and more gas can be taken from each well. The exemption promotes efficient production of the resource. *[Evaluated by the Department of Geology and Mineral Industries.]*

14.002 STATE AND LOCAL INTERESTS

Oregon Statute: 324.090(1)
Sunset Date: None
Year Enacted: 1981

	Total
2005–07 Revenue Impact:	$0
2007–09 Revenue Impact:	$0

DESCRIPTION: Any royalty or other interest in oil or gas owned by the state or local government is exempt from the oil and gas severance tax.

PURPOSE: To adhere to the principle that governments typically do not tax themselves.

WHO BENEFITS: State government through lower administrative costs.

EVALUATION: Oregon state and local governments currently do not have any oil or gas interests in the state, so this exemption has no effect. *[Evaluated by the Department of Revenue.]*

14.003 CREDIT FOR PROPERTY TAXES PAID

Oregon Statute: 324.090(2)
Sunset Date: None
Year Enacted: 1981

	Total
2005–07 Revenue Impact:	Less than $50,000
2007–09 Revenue Impact:	Less than $50,000

DESCRIPTION: A credit is allowed against the oil and gas severance tax for all property taxes imposed. This includes taxes on any property rights attached to the right to produce oil and gas, producing oil and gas leases, and machinery and equipment used in the operation of the well.

PURPOSE: To avoid double taxation of the value of oil and gas extracted.

WHO BENEFITS: Oil and gas producers. There currently are two producers of natural gas in Oregon with a total of 35 wells in Columbia County. There are no producing oil wells in Oregon.

EVALUATION: This credit effectively avoids the double taxation of oil and gas resources that would occur if mining companies paid both property taxes and severance taxes. If the companies were taxed through both the property tax and the severance tax, the companies would pay tax twice on the same property. *[Evaluated by the Department of Geology and Mineral Industries.]*