



Extraction Tax Consideration

Presented by Alan Talansky



How Much Oil and Gas

- California is the third leading oil producing state in the U.S., after Texas and North Dakota and the tenth leading natural gas producing state in the U.S.
- In 2013 California produced 199.8 million barrels of oil and 167 million MCF of natural gas.



Monterey Shale:

California could edge out Texas in oil production



California is the Only One

- An extraction tax for California oil and gas is currently untapped for public purposes. **California is the only major mineral-rich state lacking any form of state extraction tax.**
- Six states—Texas, Louisiana, Alaska, California, Oklahoma, and Wyoming—account for 80 percent of all oil produced in the United States.



California's Assessment

- **California** Oil and Gas Production Assessment
\$0.1406207 on each barrel of oil and 10,000 cubic feet of natural gas produced. Rate established annually each June.
- Ad valorem taxes administered by county
- Assessment supports the Department of Conservation's Division of Oil, Gas, and Geothermal Resources



Oil Tax Only

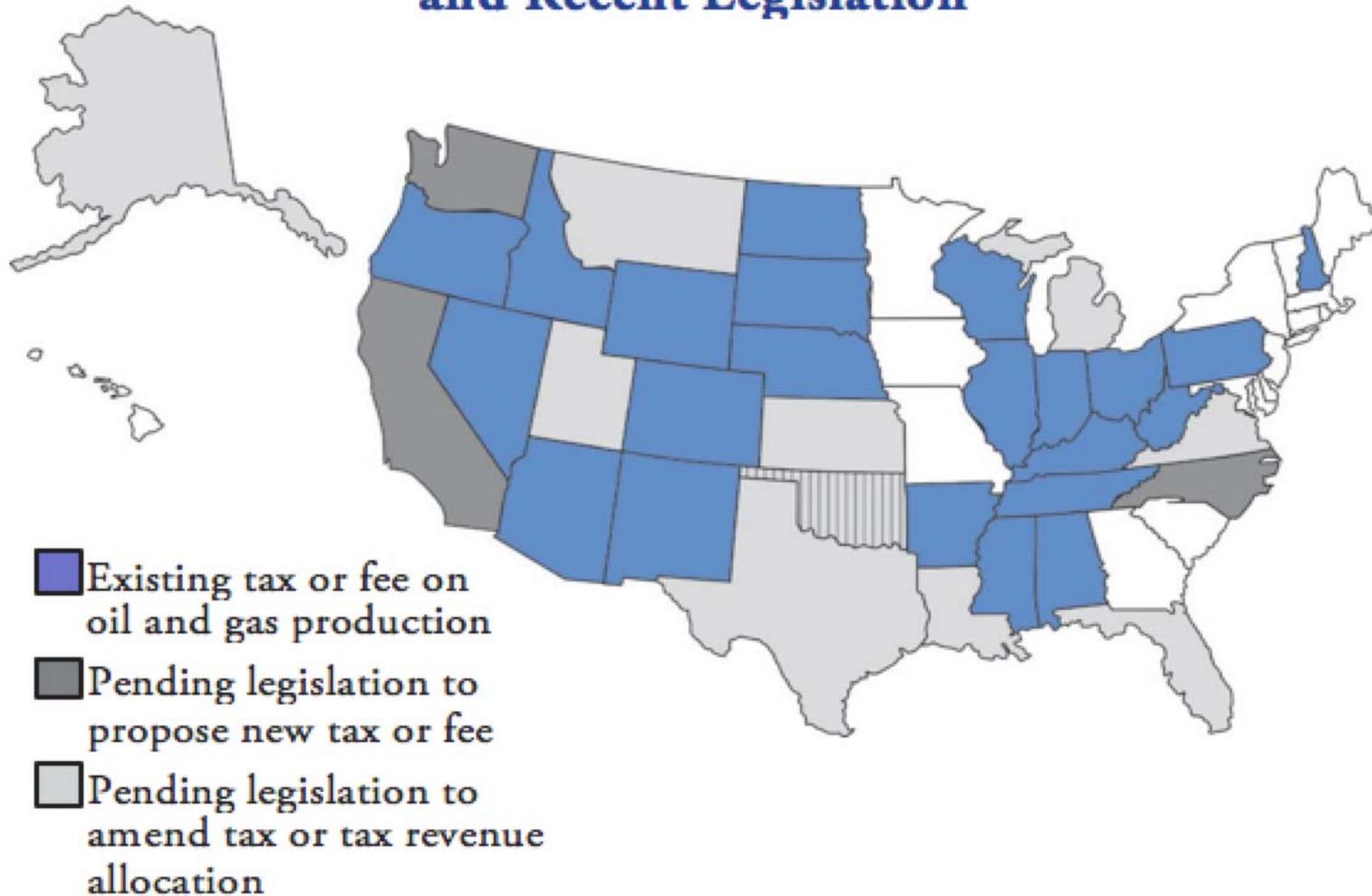
- “An apples-to-apples comparison shows that Texas currently collects \$14.40 per barrel, if California’s crude-oil taxes were at the same level as those of Texas, California would collect about \$2.8 billion annually.
- *Even if lawmakers approve the bill and the governor signs it, the petroleum industry could finance a referendum campaign to overturn it at the ballot box.*

Gas Severance Tax By State

| Rank | State | 2007 Natural Gas Production | Current Severance Tax Rate | Corporate Taxes |
|------|---------------|-----------------------------|---|-----------------|
| 1 | Texas | 6,091,724 | 7.5% of market value of gas produced | Franchise Tax* |
| 2 | Wyoming | 1,923,224 | 6% of taxable value (gross sales minus certain processing and transportation costs) | No |
| 3 | Oklahoma | 1,744,393 | 7% of average monthly price of gas plus 0.095% excise tax | Income Tax |
| 4 | New Mexico | 1,544,830 | 8.67-9.5%, depending on county and school districts | Income Tax |
| 5 | Louisiana | 1,363,538 | \$0.269 per MCF ⁸⁶ | Income Tax |
| 6 | Colorado | 1,242,571 | 2% to 5% based on gross income | Income Tax* |
| 7 | Alaska | 433,485 | 25% to 50% of net income | Income Tax* |
| 8 | Utah | 376,409 | 5% when gas over \$1.50 MCF | Income Tax* |
| 9 | Kansas | 365,877 | 4.33% | Income Tax* |
| 10 | California | 307,160 | Conservation fee of \$0.0079076 per MCF ⁸⁷ | Income Tax* |
| 11 | Alabama | 270,407 | 8% | Income Tax |
| 12 | Arkansas | 269,886 | 5% | Income Tax |
| 13 | Michigan | 264,907 | 5.75% | Income Tax* |
| 14 | West Virginia | 231,184 | 5% + \$0.047 per MCF | Income Tax* |
| 15 | Pennsylvania | 182,277 | None | Income Tax |

Taxes or Fees on Oil and Gas Production

and Recent Legislation



Source: NCSL, 2013.

Unintended Prop 13 Relief

- Most of what Howard Jarvis and Paul Gann said and published, in advancing their Prop. 13 in 1978, was about abating property taxes on homes, both owner-occupied and rented.
- Neither they, nor other advocates, said anything about abating property taxes on deposits of oil and gas in the ground.
- It is fair to infer that there was no voter intent to un-tax oil and gas.



Sources of California Oil

2013 Monthly Receipts of Crude Oil by Source

| Month | Alaska Crude Oil | California Crude Oil | Foreign Crude Oil | Total |
|--------------------|------------------|----------------------|-------------------|----------------|
| January | 6,225 | 19,311 | 22,716 | 48,252 |
| February | 5,571 | 18,287 | 19,578 | 43,436 |
| March | 6,858 | 19,731 | 25,155 | 51,744 |
| April | 7,489 | 19,346 | 22,240 | 49,075 |
| May | 8,386 | 18,730 | 26,918 | 54,034 |
| June | 5,955 | 17,827 | 29,799 | 53,581 |
| July | 5,307 | 20,382 | 28,902 | 54,591 |
| August | 4,222 | 19,607 | 34,584 | 58,413 |
| September | 4,629 | 18,880 | 28,109 | 51,618 |
| October | 4,880 | 19,906 | 30,078 | 54,864 |
| November | 6,076 | 18,819 | 24,928 | 49,823 |
| December | 8,030 | 19,650 | 26,574 | 54,254 |
| Grand Total | 73,628 | 230,476 | 319,581 | 623,685 |

Source: U.S. Department of Energy, Energy Information Administration

Extraction Taxes Could Be Coming Soon With or Without the MTC

- Now, a new bill was moving through the Legislature, claiming to tax oil and gas production for education.
- [SB 1017, an urgency measure](#), would impose a severance tax on the extraction of oil and natural gas, effective immediately after being signed into law.



Benefits to the Citizens of California

- **Uses of Extraction Tax Revenues**
- Money from an energy extraction tax should be invested in four areas that will improve California's infrastructure and create a positive impact on Californians:
 - **Higher Education**
 - **Mass Transit Systems**
 - **Housing**
 - Create a state fund to offer grants and loans to support the building of new housing.
 - Specifically target workforce housing and below-market-rate housing to improve the lives of working families.
 - Build housing near transit hubs and close to jobs.
 - **Permanent Fund**
-

Hard Fought Battle

- The resources of the energy companies would make this a difficult battle and one that is not on our agenda. Should the MTC board be asked to consider discussing its inclusion.