

**National Conference of State Legislatures
Oil and Natural Gas Tax Rates in the States, 2008**

State	Title and application of tax	Rate
Alabama	Oil and Gas Production Tax	1% on production from wells permitted between 7/1/96 and 7/1/02 for five years from first production; 2% all other production.
	Oil and Gas Privilege Tax and Reduced Privilege Tax	8% of gross value at point of production. 8% for on-shore wells and offshore wells permitted prior to 7/1/88 and producing at a depth less than 18,000 feet; 6% for certain on-shore and off-shore wells based on permitting date and depth of production; 4% for off-shore wells permitted 7/1/88 or later and producing at a depth greater than 18,000 feet, and 4% for oil wells producing 25 bbls or less per day, gas wells producing 200 MCF or less per day, and for incremental production resulting from a qualified enhanced recovery projects. Reduced privilege tax: 3% for wells normally qualifying for the 6% privilege tax rate and permitted between 7/1/96 and 7/1/02 for five years from first production; 2% for wells normally qualifying for the 4% privilege tax rate and permitted between 7/1/96 and 7/1/02 for five years from first production.
	Oil and Gas Conservation and Regulation of Production Tax	2% of gross value at point of production.
Alaska	Oil and Gas Properties Production Tax	<i>Note: As of 5/08 awaiting confirmation of updated information from Alaska Legislative Fiscal Office - Former (Oil) The greater of either \$0.80 bbl for old crude oil or 15% of gross value at the production point for oil fields in production more than five years and 12.25% for oil fields in production less than five years, multiplied by the Economic limit Factor for oil; (Gas) The greater of either \$0.64/1000 cu. ft. of gas or 10% of gross value at the production point, multiplied by the Economic Limit Factor for Gas; and conservation surcharges of \$0.03 cent per barrel, with an additional \$0.023 cents per barrel as needed to maintain a 450 million balance in the oil and hazardous substance response fund (when fund reaches \$50 million cap, then additional \$0.023 cents is not charged).</i> [NEW in 2006 - 22.5% of net profit (based on net value at wellhead less all qualified lease expenditures, including capital and operating costs and property taxes).]
Arizona	Transaction Privilege & Severance Tax - Non-Metal Mining Oil/Gas	3.125% of the gross production value. Oil and natural gas are classified as non-metalliferous mining. The same tax rate applies to both types of production.
Arkansas	Oil and Gas Conservation Assessment	Maximum 43 mills/bbl of oil; 9 mills per 1000 cubic feet of gas.
	Natural Resources Severance Tax	Oil severance tax rate is 4% of market value at point and time of severance; gas severance tax rate is \$0.003 per MCF; (April 2008 legislation changing the gas rate to 5%, with a reduced rate of 1.5% for a specified time period, has been approved, to be effective 7/1/08.)
California	Oil and Gas Production Assessment	Assessment rate is determined annually by Department of Conservation. Rate for FY 2008-09 is \$0.07022570 per bbl of oil and each 10,000 cubic feet of natural gas produced. Funds support the Division of Oil, Gas and Geothermal Resources.

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Colorado	Oil and Gas Conservation Levy	Maximum 1.5 mills/\$1 of market value at wellhead (f)
	Severance Tax (e)	2% to 5% based on gross income for oil, gas, CO ₂ , and coalbed methane; after July 1, 1999, \$0.36/ton adjusted by the producers' prices index for each ton exceeding 300,000 tons each quarter for coal; and 4% of gross proceeds on production exceeding 15,000 tons per day for oil shale.
Florida	Oil, Gas, and Sulfur Production Tax	5% of gross value for small well oil, and 8% of gross value for all other, and an additional 12.5% for escaped oil; the gas base rate times the gas base adjustment rate each fiscal year for gas; and the sulfur base rate times the sulfur base rate adjustment each fiscal year for sulfur.
Idaho	Oil and Gas Production Tax	Maximum of 5 mills/bbl of oil and 5 mills/50,000 cu. ft. of gas (c).
	Addl. Oil & Gas Production Tax	2% of market value at site of oil production.
Indiana	Petroleum Production Tax (i)	1% of value or \$0.24 per barrel for oil or \$0.03 per 1000 cu. ft. of as, whichever is greater.
Kansas	Severance Tax (j)	8% of gross value of oil and gas, less property tax credit of 3.57%; \$1/ton of coal.
	Oil and Gas Conservation Tax	54.7 mills/bbl crude oil or petroleum marketed or used each month; 9.13 mills/1000 cu. ft. of gas sold or marketed each month.
Kentucky	Natural Resource Severance Tax	4.5% of gross value, less transportation expenses.
	Oil Production Tax	4.5% of market value.
Louisiana	Natural Resource Severance Tax	The adjusted severance gas full tax rate from 7/1/07 through 6/30/08 is \$.269 per MCF and from 7/1/08 through 6/30/09 is \$.288 per MCF, subject to annual base rate adjustments. Incapable oil well gas rate is \$.03 per MCF; incapable gas well gas rate is \$.013 per MCF. Oil full rate is 12 1/2% of its value at the time and place of severance; incapable oil rate is 6.25% of value; stripper oil and reclaimed oil rates are 3 1/8% of value; and condensate rate is 12 1/2% of value.
	Oil Field Site Restoration Fee	Rate varies according to type of well and production.
Michigan	Gas and Oil Severance Tax	5% (gas); 6.6% (regular and condensate oil) and 4% (oil from stripper wells and marginal properties) of gross cash market value of the total production. Maximum additional fee of 1% of gross cash market value on all oil and gas produced in state in previous year.
Mississippi	Oil and Gas Severance Tax	6% of value at point of gas production; 3% of gross value of occluded natural gas from coal seams at point of production for well's first five years; also, maximum 35 mills/bbl oil or 4 mills/1000 cu. ft. gas (Oil and Gas Board maintenance tax). 6% of value at point of oil production; 3% of value at production when enhanced oil recovery method used.
Montana	Oil and Natural Gas Production Tax	Varies from 0.5% to 14.8% according to the type of well and type of production.
	Oil or Gas Conservation Tax	Maximum 0.3% on the market value of each barrel of crude petroleum oil or 10,000 cu. ft. of natural gas produced, saved and marketed or stored within or exported from the state. (n).

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Nebraska	Oil and Gas Conservation Tax	2 mills per \$1 of value at wellhead, as of April 1, 2008. (c)
	Oil and Gas Severance Tax	3% of value of nonstripper oil and natural gas; 2% of value of stripper oil.
Nevada	Oil and Gas Conservation Tax	\$50/mills/bbl of oil and 50 mills/50,000 cu. ft. of gas.
New Hampshire	Refined Petroleum Products Tax	0.1 % of fair market value.
New Mexico	Natural Gas Processor's Tax	\$0.022/MMBTU tax on volume.
	Oil and Gas Ad Valorem Production Tax	Varies, based on property tax in district of production.
New Mexico	Oil and Gas Conservation Tax (q)	0.19% of value (of oil, coal, gas, liquid hydrocarbons, geothermal energy, carbon dioxide and uranium)
	Oil and Gas Emergency School Tax	3.15% of value of oil, other liquid hydrocarbons and carbon dioxide, 4% of value of natural gas.
	Oil and Gas Severance Tax	3.75% of value of oil, other liquid hydrocarbon, natural gas and carbon dioxide.
North Carolina	Oil and Gas Conservation Tax	Maximum 5 mills/barrel of oil and 0.5 mill/1000 cu. ft. of gas
North Dakota	Gas Gross Production Tax	\$0.04/1000 cu. ft. of gas produced (the rate is subject to a gas rate adjustment each fiscal year). As of April 2008, the rate was \$.1428 per MCF.
	Oil Extraction Tax	6.5% of gross value at well (with exceptions due to production volumes and production incentives for enhanced recovery projects). Incentive rate of 2% available to 7/1/08 for wells drilled in Bakken Formation.
	Oil Gross Production Tax	5% of gross value at well.
Ohio	Resource Severance Tax	\$0.10/bbl of oil; \$0.025/1000 cu. ft. of natural gas.
Oklahoma	Oil, Gas and Mineral Gross Production Tax and Petroleum Excise Tax (s)	Gas: 7% (if greater than \$2.10 MCF); 4% (if greater than 41.75 MCF, but less than \$2.10 MCF); 1% (if less than \$1.75 MCF) casinghead gas and natural gas as well as 0.95% being levied on crude oil, casinghead gas and natural gas. Oil: variable rate tax, based on the average price of Oklahoma oil; a) If the average price equals or exceeds \$17/bbl, the tax shall be 7%; b) if the average price is less than \$17/bbl, but is equal to exceeds \$14/bbl, the tax shall be 4%; c) if the average price is less than \$14/bbl, the tax shall be 1%.
Oregon	Oil and Gas Production Tax	6% of gross value at well.
Tennessee	Oil and Gas Severance Tax	3% of sales price.
Texas	Gas Production Tax	7.5% of market value.

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	Oil Production Tax	The greater of 4.6% of market value or \$0.046/bbl 2.3% of market value for oil produced from qualified enhanced recovery projects.
	Oil-Field Cleanup Regulatory Fees	5/8 of \$0.01/barrel; 1/15 of \$0.01/1000 cu. ft of gas (v)
Utah	Oil and Gas Conservation Fee	0.2% of market value at wellhead.
	Oil and Gas Severance Tax	3% of value for the first \$13 per barrel of oil, 5% from \$13.01 and above; 3% of value for first \$1.50/MCF, 5% from \$1.51 and above; and 4% of taxable value of natural gas liquids.
West Virginia	Natural Resources Severance Taxes	Natural gas: 5% of gross value (10% of net tax distributed to local governments), additional tax for workers' compensation debt reduction is \$0.047/MCF of natural gas produced. Oil: 5% of gross value (10% of net tax distributed to local governments). Timber: 3.22%, additional tax for workers' compensation debt reduction is 2.78%.
Wisconsin	Oil and Gas Severance Tax	7% of market value of oil or gas at the mouth of the well. There are no wells in the state.
Wyoming	Severance Tax	The total severance tax on crude oil, lease condensate, natural gas or helium is 6%, comprising 1.5% imposed by the Wyoming constitution article 15, section 19 and 4.5% imposed by Wyoming statute as follows: i. 1.5% plus ii. 0.5%; plus iii. 2%; plus iv. 2%, applied to the taxable value of crude oil, lease condensate or natural gas. The taxable value is the gross sales value of the product less federal, state or tribal royalties paid and less allowable transportation deductions. If the product produced is natural gas, an additional deduction is allowed for processing. Rates vary from 1.5% to 6% on different grades of oil. Taxes on coal and other minerals vary from 2% to 7%.

Notes:

- (c) Actual rate set by administrative actions.
- (e) Metallic minerals, molybdenum ore, coal, oil shale, oil, gas, CO₂, and coalbed methane.
- (f) As of July 1, 2004, set at 0.0005 mill/\$1.
- (i) Petroleum, oil, gas and other hydrocarbons.
- (j) Coal, oil and gas.
- (n) The maximum rate of 0.3% is split between the Oil or Gas Conservation Tax and the Oil, Gas and Coal Natural Resource Account Fund. Currently the Oil or Gas Conservation Tax is 0.18% and the Oil, Gas and Coal Natural Resource Account fund rate is 0.08%.
- (s) Asphalt and ores bearing lead, zinc, jack, gold, silver, copper or petroleum or other crude oil or other mineral oil, natural gas or casinghead gas and uranium ore.
- (v) Fees will not be collected when Oil-Field Cleanup Fund reaches \$20 million, but will again be collected when fund falls below \$10 million.

Sources: State revenue department websites, April 2008; Commerce Clearing House *State Tax Guide; The Book of the States 2007*, Council of State Governments (2007 edition, vol. 39).



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StateStats

State Energy Revenues Gushing

A handful of major energy-producing states are reporting a significant rise in 2005 severance tax collections related to the recent up tick in energy prices. States that rely on natural resources for a substantial share of state revenues derive them from both state severance taxes and resource leases on federal lands within their borders.

Severance taxes are excise taxes on natural resources "severed" from the earth. In the majority of states, the taxes are applied to specific industries such as coal or iron mining and natural gas or oil production. They are usually payable by the severer or producer, although in a few states payment is made by the first purchaser.

The leap in resource prices recently has had a noticeable effect on state severance tax collections reported to the Census Bureau. If the first three quarters of 2005 are any indicator, final collections for the year promise to be well above 2004 levels. In 14 states, severance taxes accounted for at least 1 percent of state tax collections in 2004, with Alaska leading the pack. Of those 14 states, 13 reported collections for the first three quarters of 2005 (January through September) that ranged from 91 percent to 135 percent of total 2004 collections. Nationally, severance tax collections in the first three quarters of 2005 already exceeded collections in all of 2004.

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Denver Office: Tel: 303-364-7700 | Fax: 303-364-7800 | 7700 East First Place | Denver, CO 80230 | [Map](#)

Washington Office: Tel: 202-624-5400 | Fax: 202-737-1069 | 444 North Capitol Street, N.W., Suite 515 | Washington, D.C. 20001