CENTER FOR ENERGY STUDIES

NEWSLETTER

March, 1993

UPDATE AND EXTENSION OF CES'S STUDY OF STATE AND LOCAL TAXES ON E&P - by Allan Pulsipher

Two years ago the Center for Energy Studies published a study comparing the state and local tax bills of the leading oil and gas producing states. Previous studies largely had been limited to severance taxes. Our analysis showed that severance tax comparisons didn't tell the whole story and, in fact, were quite misleading. Oil and gas companies also pay corporate income and franchise taxes as well as property and sales taxes and the relative reliance on these taxes varies considerably among states. There is also considerable variation in the relationship between severance and property taxes. Some states substitute severance taxes for property taxes, others levy both taxes, and Colorado allows the property tax payment to be subtracted from the severance tax liability. Moreover the base of the property tax varies, with states such as Texas taxing the value of oil and gas in the ground while others such as Louisiana tax only the value of structures and equipment.

The most surprising finding of the study was how close the tax bills of competing states were when all taxes were included in the comparison. Some states such as North Dakota and Alaska were clearly higher than the average and others such as Oklahoma and California clearly lower-than-average; but, in general, the differences in the total tax bill among competitive states such as Louisiana, Texas and Mississippi, or, Colorado, New Mexico and Kansas were well within the likely margin of error of the data we collected for the study.

A summary of the report was published in the Oil & Gas Journal (April 22, 1991) and became a standard point of reference by both industry and governmental analysis during subsequent considerations of energy taxes in several states.

Because of the interest in the study and with financial support provided by CNG Producing Company, we have updated the study to incorporate newly available and revised data and extended its scope by providing comparisons based on "percent of value" as well as "dollars per barrel." The results are summarized in Figures One and Two.

Figure One shows the average tax bill expressed in dollars per barrel for the states included in the study. Tax data varies from year to year and often undergoes major revisions, thus we use a four-year average rather than data for individual years. Although the averages in

Figures 1 and 2 currently not available.

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