

SB 241
Oil Severance Tax

- Introduced by Senator Evans of California on February 12, 2013
- Principal Coauthor: Senator Jackson of California
- Coauthors: Senator Beall, Senator Block, Senator DeSaulnier, Senator Hancock, Senator Leno, Senator Liu, Senator Wolk

What This Bill Will Do

This bill would impose an oil and gas severance tax upon any operator, as defined, for the privilege of severing oil or gas from the earth or water in this state for sale, transport, consumption, storage, profit, or use, as provided, at the specified notes rates, calculated as provided. The tax would be administered by the State Board of Equalization and would be collected pursuant to the procedures set forth in the Fee Collection Procedures Law. The bill would require the board to deposit all tax revenues, penalties, and interest collected pursuant to these provisions into the California Higher Education Fund for allocation to the Regents of the University of California, the Trustees of the California State University, the Board of Governors of the California Community Colleges, and the Department of Parks and Recreation, and to a reserve account.

This bill would include a change in state statute that would result in a taxpayer paying a higher tax within the meaning of Section 3 of Article XIII A of the California Constitution, and thus would require for passage the approval of $\frac{2}{3}$ of the membership of each house of the Legislature.

Any person that owns an interest, including a royalty interest, in oil or its value, is liable for the tax until it has been paid to the board.

Text Definitions and Meanings

“Operator” means a person that, by virtue of ownership, or under the authority of a lease or any other agreement, has the right to drill, operate, maintain, or control an oil or gas well in the earth or water in this state, including any person that takes oil or gas from the earth or water in this state in any manner, any person that owns, controls, manages, or leases any oil or gas well in the earth or water of this state, and any person that produces or extracts in any manner any oil or gas by taking it from the earth or water in this state; and includes the first person that acquires either the legal title or beneficial title to oil or gas taken from the earth or water in this state by the federal government or a federal instrumentality.

“Severed” or “severing” means the extraction or withdrawing from below the surface of the earth or water of any oil or gas, regardless of whether the extraction or withdrawal shall be by natural flow, mechanical flow, forced flow, pumping, or any other means employed to get the oil or gas from below the surface of the earth or water, and shall include the extraction or withdrawal by any means whatsoever of oil or gas upon which the tax has not been paid, from any surface reservoir, natural or artificial, or from a water surface.

The General & The California Education Fund

All taxes, interest, penalties, and other amounts collected pursuant to this part, less refunds and costs of administration, shall be deposited **first into the General Fund and then into the California Higher Education Fund**, which is hereby created in the State Treasury. Moneys in the fund are continuously appropriated, without regard to fiscal year, as follows:

(1) Ninety-three *Ninety* percent of the moneys in the fund, in equal shares, to the Regents of the University of California, the Trustees of the California State University, and the Board of Governors of the California Community Colleges for the general support of those institutions.

(2) Seven *Five* percent of the moneys in the fund to the Department of Parks and Recreation for the maintenance and improvement of state parks.

(3) *Five percent of the moneys in the fund to a reserve account in the fund which shall only be used in a disaster as proclaimed by the Governor.*

Any local property tax reductions that may result from the imposition of the tax by this part shall be reimbursed from the revenues received from the imposition of the tax.

http://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201320140SB241

KEY POINTS BY RESCUE EDUCATION CALIFORNIA

Did you know that ...

- 1) Oil companies pass on the tax to consumers by raising gas prices
- 2) California loses \$3 billion annually because of the Oil Tax Loophole
- 3) California is the **only** major oil producing state that has **no** tax on oil extracted onshore or offshore
- 4) Alaska's oil extraction tax was raised to 25% by Governor Sarah Palin, and Texas' oil extraction tax produces \$2 billion for education annually. A gallon of gasoline is 50 cents less in Texas than in California.
- 5) California's combined "tax" burden on oil production was \$4.22 per barrel, and Texas' was \$14.33 in 2008, after accounting for regulatory fees, applicable severance taxes, property taxes, and income and franchise taxes, according to analysis by the California State Board of Equalization. (Capitol Weekly 07/15/10)
- 6) California's Oil Companies' CEOs Ray Irani and John Watson (Occidental Petroleum and Chevron) made \$76.1 million and \$16.3 million in one year, while working class Californians' wages and salaries dropped.
- 7) California is falling behind our competitors, such as China, South Korea, India, and Germany, in providing free and/or affordable education (professional, scientific, technical, mathematical, literary, and artistic), and as a result is lagging economically.
- 8) California has dropped from the 5th largest to the 8th largest economy in the world, in recent years.
- 9) California, in the 1960s and 1970s, provided tuition free college and university education, as required by Governor Pat Brown's Master Plan for Higher Education.

The Tax Oil to Fund Education Initiative will close the oil tax loophole and:

- 1) Raise \$3 billion annually for California Education, Kindergarten through College and University, by placing a 15% tax on crude oil and natural gas drilled from California onshore and offshore.
- 2) Fine the oil companies if they pass on the tax by raising gasoline prices, and return the money to Californians in annual rebate checks

http://www.rescueeducationcalifornia.org/oil-extraction-tax#!_oil-extraction-tax