

CHAPTER 14. OIL AND GAS PRIVILEGE TAX

A privilege tax is levied on the production of oil and gas within Oregon at a rate of 6 percent of the gross value at the well. Receipts are forecast to be \$700,000 for the 2007-09 biennium and \$590,000 for the 2009-11 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
2007–09 Revenue Impact:	Less than \$50,000
2009–11 Revenue Impact:	Less than \$50,000

- DESCRIPTION:** An exemption from the tax levied on oil or gas production is granted for the first \$3,000 in gross sales value of the gross production each calendar quarter from each well.
- PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to encourage development of oil and gas reserves.
- WHO BENEFITS:** Two producers of natural gas in Oregon with a total of 21 reported wells in Columbia County. There are no producing oil wells in Oregon.
- EVALUATION:** *by the Department of Geology and Mineral Industries*
 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.

14.002 STATE AND LOCAL INTERESTS

Oregon Statute: 324.090(1)

Sunset Date: None

Year Enacted: 1981

	Total
2007–09 Revenue Impact:	\$0
2009–11 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 privilege tax.
- PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to adhere to the principle that governments typically do not tax themselves.
- WHO BENEFITS:** State and local government.
- EVALUATION:** Not evaluated.

14.003 CREDIT FOR PROPERTY TAXES PAID

Oregon Statute: 324.090(2)

Sunset Date: None

Year Enacted: 1981

	Total
2007–09 Revenue Impact:	Less than \$50,000
2009–11 Revenue Impact:	Less than \$50,000

- DESCRIPTION:** A credit is allowed against the oil and gas privilege tax for 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:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to avoid double taxation of the value of oil and gas extracted.
- WHO BENEFITS:** Two producers of natural gas in Oregon with a total of 21 reported wells in Columbia County. There are no producing oil wells in Oregon.
- EVALUATION:** *by the Department of Geology and Mineral Industries*
This credit effectively avoids the double taxation of oil and gas resources that would occur if mining companies paid both property taxes and privilege taxes. If the companies were taxed through both the property tax and the privilege tax, the companies would pay tax twice on the same property.