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Bring it back: editorial

Lawmakers wrong to bury reform of severance taxes

While Ohio lawmakers struggle to juggle a heaping legislative plate this spring, they've made at least one conspicuously bad call, in ignoring Gov. John Kasich's proposal for a reasonable severance tax on the mineral wealth that's about to be taken from the state in vast quantities.

They're denying Ohioans a rightful share in the state's natural-resources wealth and giving oil-and-gas drillers, who stand to reap fortunes from Ohio's Utica shale formation, an unjustified free pass from a form of taxation that is standard in the industry and in states surrounding Ohio.

Republican House leaders should take the proposal off the far-back burner and do something productive for the state's economy.

Ohio's current severance tax — the standard vehicle by which states are compensated for the extraction of valuable natural resources that can't be replaced — is very low. Oil drillers pay a mere 20 cents for every barrel of oil, which sells these days for more than $100. The state collects only 3 cents for every million cubic feet of natural gas, and nothing for natural-gas liquids — the highly desirable commodity that is driving much of the anticipation of a shale-gas boom.

As part of his mid-budget review, Kasich proposed taxing crude oil and natural-gas liquids at 4 percent of sales, but only after drillers have recouped their upfront costs; until then, the rate would start at 1.5 percent and grow gradually. Dry natural gas would be taxed at 1 percent of sales. Although different states' taxes are structured differently and thus don't allow direct comparisons, Kasich's proposal would leave Ohio comfortably below the tax burden imposed by most neighboring states — states in which, it should be noted, a shale-gas boom already is in high gear.

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