

SECTION Q

Oil and Gas Severance Tax

BASIC PROVISIONS AND TAX BASE

The severance tax is levied at the rate of three percent of the value of non-stripper oil and natural gas severed from the soil of this state. Stripper wells producing oil shall remit severance tax at the rate of two percent. The tax is paid by the first purchaser if the oil or natural gas is sold in Nebraska, or by the person doing the severing if the oil or natural gas is sold outside Nebraska. The tax collected is identified either as coming from school lands or from all other lands. The entire amount is credited to the Severance Tax Fund.

The Severance Tax Administration Fund receives one percent of the gross severance tax receipts, excluding those receipts from tax derived from oil and natural gas severed from school lands. The balance of the Severance Tax Fund received from school lands is credited to the Permanent School Fund. The balance of the Severance Tax Fund received from other than school lands is allocated as follows: (a) the Legislature may transfer an amount to be determined by the Legislature through the appropriations process up to \$300,000 for each year to the State Energy Office Cash Fund, (b) the Legislature may transfer an amount to be determined by the Legislature through the appropriations process up to \$30,000 for each year to the Public Service Commission for administration of the Municipal Rate Negotiations Revolving Loan Fund, and (c) the remainder shall be credited to the Permanent School Fund.

Statutory Reference and Description

**Estimated Tax
Expenditure Cost**
NA = Not Available

EXCLUSIONS

Section 57-702

Oil or gas used only in severing operations or for re-pressuring or recycling purposes is excluded from the oil and gas severance tax.

NA

EXEMPTIONS

The Nebraska Department of Revenue has received the Attorney General's Opinion that **interests of government units and Native American Indian tribes** are exempt from the severance tax.

None

PREFERENTIAL TAX RATES

Section 57-703

Oil produced from stripper wells that have a base production level of ten or fewer barrels per day is subject to a severance tax of two percent, rather than three percent.

Minimal

RECOMMENDATIONS

The Nebraska Department of Revenue has no recommendations.