

SB 246 (Wieckowski) Oil Industry Levy (OIL) Act

SUMMARY

SB 246 would bring California in line with every other major oil producing state in the nation, by imposing an oil and gas severance tax. California has been an oil and gas producing state for over 100 years and to date, has never imposed a tax on the extraction of our fossil fuels. According to the National Conference of State Legislatures, 34 states have enacted fees or taxes on oil and gas production.

BACKGROUND

While every other major oil-producing state has levied a severance tax, there is no standard measure. The vast majority of laws affecting oil and gas production emanates from the state level. In keeping with this, oil severance taxes also are designed and collected by each individual state. There are as many rate schemes and methodologies as there are oil producing states. States generally base their calculations on the value of the oil produced, the volume of oil produced, or some combination of these.

The imposition of an oil and severance tax has long been a priority of the California legislature. Since the 1990's various bills and ballot measures have been introduced to collect revenue from the state's fossil fuel companies. Former Assembly Speakers Villaraigosa and Nunez both introduced severance tax measures.

In all, at least 7 bills have been introduced in both the Senate and Assembly since 1990. And in 2006, a ballot measure was put to the voters to establish a tax on oil and gas being extracted in California, but was defeated after opponents spent almost \$100 million in opposition. A NextGen poll found that 64% of those voting in the 2016 election supported an oil and gas severance tax.

THIS BILL

SB 246 imposes an oil and gas severance tax at the rate of 10% of the average price per barrel of California oil or 10% of the average price per unit of gas. Collected funds would be deposited in the General Fund. The tax would be collected by the California Department of Tax and Fee Administration. This bill requires a 2/3 vote.

SUPPORT

- California Democratic Party
- California State Parent Teachers Association (PTA)
- California Teachers Association
- CALSTART
- Center for Climate Protection
- Citizens for Responsible Oil and Gas
- Consumer Watchdog
- Silicon Valley Democratic Club
- Tri-City Ecology Center

STATUS

Introduced: 2/8/19