PRODUCT & SERVICE GUIDE

Ohio Governor trying again on fracking tax

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On two different occasions, lawmakers in Kasich's own Republican party thwarted what would essentially be a 4 percent tax on oil and wet gas from high-producing shale wells and a 1 percent tax on dry gas.

Under Kasich's latest proposal, which has yet to be introduced in either the Ohio House or Senate, the severance tax would rise as high as 4.5 percent, and 25 percent of the proceeds would go back to 33 counties most impacted by shale drilling activity.

The rest would be used to fund an income-tax cut, according to an official in Kasich's budget office who would only speak on background. The budget official said the proceeds to Appalachia would be about $15 million in 2014 and close to $110 million by 2016.

Jim Lynch, a spokesman for Kasich's budget office, said the governor's plan would likely be introduced in a budget conference committee.

“All of Ohio stands to benefit enormously from the shale boom, especially eastern Ohio,” Kasich spokesman Rob Nichols said in an email. “As the boom continues to grow, it’s only right that eastern Ohio communities have the resources they need to both address new demands and also make sure these new opportunities produce significant, sustainable benefits for local families.

“It’s something we’ve heard raised repeatedly during the debate about modernizing the severance tax and we agree that it’s the right thing to do.”

Kasich’s “fracking” tax, as it’s often called, has long been opposed by the oil-and-gas industry, as well as many lawmakers on both sides of the aisle for various reasons. Some of the criticisms come from the Appalachian region, who’ve argued someone in Toledo or Cincinnati shouldn’t benefit from proceeds being taken out of the ground in eastern Ohio.

Kasich has always wanted to use boosted revenues from a new severance tax to fund an income-tax cut. Democratic state Sen. Lou Gentile of Steubenville — one who has voiced such objections — said he was not aware of Kasich’s new plan.

The governor’s severance tax was included in his budget proposal in February. The Ohio House stripped it out and the Senate did not add it to its version. Most Republicans said they opposed Kasich’s original plan because they didn’t want to raise taxes on the oil-and-gas industry, claiming higher taxes would stunt growth.

One Republican who works in the legislature said “if there’s one thing House Speaker (William G.) Batchelder hates worse than Medicaid expansion, it’s severance.”

A spokesman for Batchelder was not immediately aware of Kasich’s plan.

But Nichols said the plan is at least “back in play.”

“In general, we absolutely support funds being retained in the areas where the benefit is being obtained,” said Ron Rees, executive director for the Corporation for Ohio Appalachian Development.

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