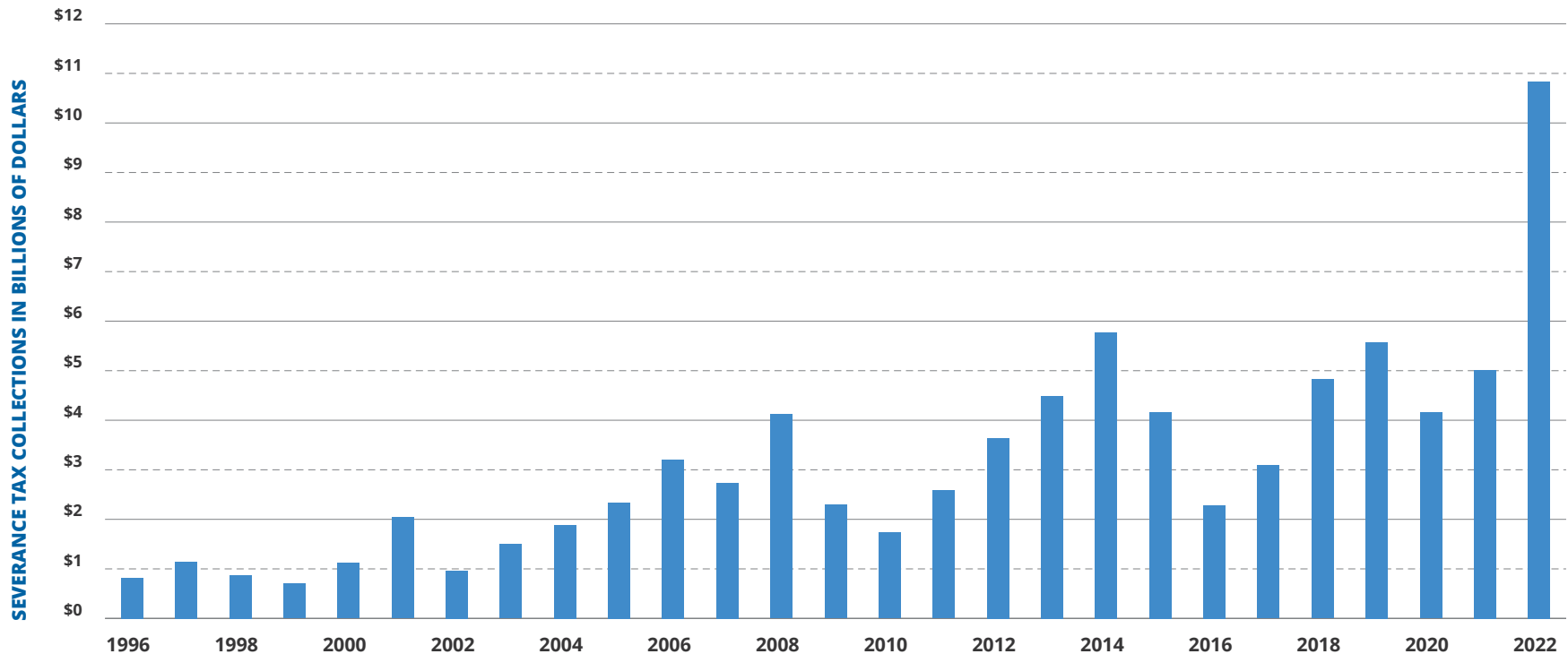


SEVERANCE TAXES: A STORY OF VOLATILITY IN REVENUE AND PRICES

Severance taxes make up the most volatile tax revenue category. The average annual rate of growth of severance taxes for the last 26 years was 10.4 percent; however, the highest annual growth was 115.9 percent in FY 2022 and the deepest decline was 52.6 percent in FY 2002.

SEVERANCE TAXES consist of oil and natural gas production taxes. FY 2022 collections totaled \$10.83 billion – the highest annual collections on record – and contributed 14 percent to total tax collections.

Severance Taxes, FY 1996-2022



Source: Texas Comptroller of Public Accounts

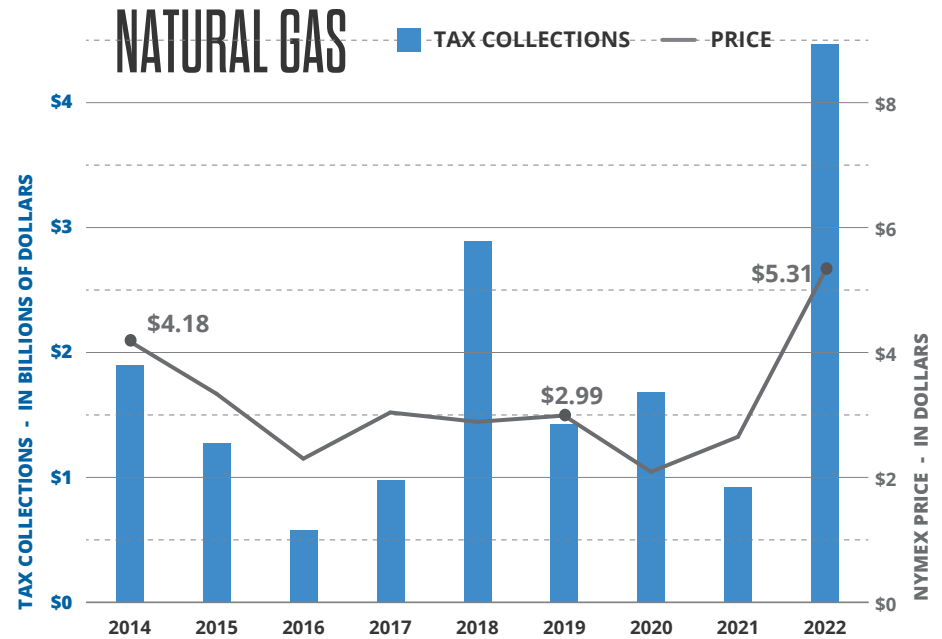
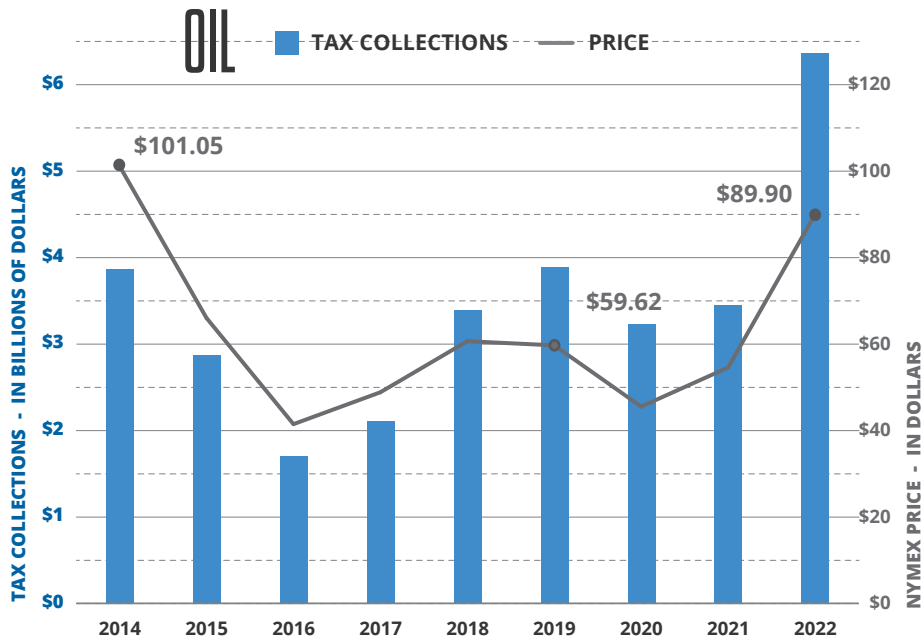
SEVERANCE TAXES: A STORY OF VOLATILITY IN REVENUE AND PRICES

Oil and natural gas production taxes are taxes on the removal of natural resources from Texas land. The oil production tax is levied at 4.6 percent of value, and the natural gas production tax is levied at 7.5 percent of value. These taxes are the product of two factors: price and production. The price of these resources during the last nine years is a study in volatility.

During the last nine fiscal years, the average New York Mercantile Exchange (NYMEX) market monthly prices of oil ranged from \$16.70 to \$114.34 and even were negative \$37.63 on April 20, 2020, in response to the COVID-19 pandemic.

The average natural gas NYMEX prices ranged from \$1.70 to \$8.16. FY 2022 saw the second highest price on record (\$9.32 on June 6, 2022), which was mainly attributable to domestic demand increase and the rise of Liquefied Natural Gas exports to the European Union to mitigate its supply crises.

Oil and Natural Gas Production Taxes, Annual Collections and NYMEX Oil and Natural Gas Prices, FY 2014-2022



Sources: Texas Comptroller of Public Accounts; U.S. Energy Information Agency (EIA).