

Document Information

Effects of a severance tax on oil produced in California



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This report examines the effects of a new severance tax on tax revenues collected from California oil properties, the share of the tax borne by California oil producers, refiners, and consumers, and the pattern of oil production in the state. The analysis centered around three basic questions: (1) How much net revenue would a severance tax raise for state and local governments in California? (2) Who would pay the tax? (3) How would the tax affect the production of oil within California? Part I provides some basic background information on severance taxation in general and on oil production in California. It also explains the methodological approach to tax analysis. Part 2 presents the results of the formal analysis. In addition to the three basic questions it also answers the questions: (1) How much net tax burden will fall within California and how much can be exported? (2) How do alternative exemption arrangements affect oil production and revenue collection under a severance tax?

Document Number: R-2940-CSA, **ISBN:** 0-8330-0455-7

Year: 1982, **Series:** [Reports](#)