

## **9.9% Severance Tax Proposal Heavily Impact's Kern County**

Governor Schwarzenegger has called a special "lame duck" session of the State Legislature to address the budget shortfall, last estimated at \$28 billion over the next 20 months. The Governor has proposed a series of cuts and tax increases to cover the difference. Part of the plan calls for a 9.9% wellhead tax on oil produced in California. The "lame duck" session will last until Thanksgiving. Starting in December, the new legislature will be seated.

Kern County, on the southern end of the San Joaquin Valley, extracts over 70% of the oil produced in California. It is no surprise that Governor Schwarzenegger's proposal to tax California oil production at a rate of 9.9% will be detrimental to the county in terms of taxes, jobs, economic activity and services rendered.

The numbers for Kern County speak for themselves. Kern County Assessor, Jim Fitch estimates the tax will lower petroleum property tax values in Kern County by \$4.5 billion per year at current price levels. By generating less net income, the fair market value of petroleum producing property would be lower than without the tax.

The Assessor's preliminary estimates are that in 2009 alone, the tax would depress property taxes by more than \$45.7 million countywide, and the County of Kern's share would be more than \$13.7 million. Unknown are the number of additional services that County will have to provide to families impacted by the loss of economic activity.

The proposed tax increase would not only hurt Kern County's general fund, but also impact school districts and special districts including water, cemetery, parks and recreation and conservation. Schools would be particularly hard hit with an estimated \$30 million loss.

The Kern County Board of Supervisors will approve as part of the consent agenda, a letter of opposition to the Governor's plan at Tuesday's board meeting. ([Click here](#)) for a copy of the resolution. Board members discussed the issue at last week's board meeting, each giving input as to why the tax would devastate an already weak local economy.

Kern County also strongly opposed Proposition 87 and several attempts at state legislation to bring forth a production tax. The Kern County Legislative Platform continues to oppose an oil severance tax as it has for many years.

[http://www.co.kern.ca.us/clerk/minutes/bosagenda/MG226509/AS226525/AS226535/AI226915/DO226918/DO\\_226918.pdf](http://www.co.kern.ca.us/clerk/minutes/bosagenda/MG226509/AS226525/AS226535/AI226915/DO226918/DO_226918.pdf)