Florida Department of Revenue
Tax Information Publication

TIP

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Tertiary Oil
Severance Tax

Tertiary Oil

Persons who sever oil by a tertiary method are subject to a new tax rate beginning July 1, 2009. The new tax rate is tiered based on the value or market price of a barrel of oil at the mouth of the well in its natural, unrefined condition. Such tax shall accrue at the time the oil is severed and shall be a lien on production regardless of the place of sale, to whom sold, or by whom used, and regardless of the fact that delivery of the oil may be made outside the state.

The term "tertiary oil" means the excess barrels of oil produced, or estimated to be produced, as a result of the actual use of a tertiary recovery method in a qualified enhanced oil tertiary recovery project, over the barrels of oil which could have been produced by continued maximum feasible production methods in use prior to the start of tertiary recovery. A "qualified enhanced oil tertiary recovery project" means a project for enhancing the recovery of oil which meets the requirements of 26 U.S.C. s. 43(c)(2), or substantially similar requirements.

Beginning July 1, 2009

Tax due from tertiary oil production is calculated using the following tiered formula:

Total Barrels Produced times the Tiered Value per Barrel times the Tiered Tax Rate

- Tier 1) The tiered tax rate will be one percent (1%) levied on the first $60.00 of gross value. The tiered value per barrel for this tiered tax rate cannot exceed $60.00.
- Tier 2) The tiered tax rate will be seven percent (7%) levied on a gross value greater than $60.00 and less than $80.00. The tiered value per barrel for this tiered tax rate will be the total value per barrel minus $60.00, and cannot exceed $20.00.
- Tier 3) The tiered tax rate will be nine percent (9%) levied on a gross value of $80.00 or greater. The tiered value per barrel for this tiered tax rate will be the total value per barrel minus $80.00.
- Add the tax due from each tier to calculate the total tax due.

Example 1 - 200 barrels of oil were produced and had a value of $50.00 per barrel at the time of production. Tax is calculated as follows:

- 200 barrels times $50.00 times 1% equals $100.00.

  Total tax due in this example equals $100.00.

Example 2 - 200 barrels of oil were produced and had a value of $90.00 per barrel at the time of production. Tax is calculated as follows:

- 200 barrels times $60.00 times 1% equals $120.00.
- 200 barrels times $20.00 times 7% equals $280.00.
- 200 barrels times $10.00 times 9% equals $180.00.

  Total tax due in this example equals $580.00.

The tax rate of five percent (5%) for small well oil remains in effect.

Reference: Section 211.02, Florida Statutes as amended by 2009-139, Laws of Florida

FOR MORE INFORMATION

This document is intended to alert you to the requirements contained in Florida laws and administrative rules. It does not by its own effect create rights or require compliance.

For forms and other information, visit our Internet site at www.myflorida.com/dor or call Taxpayer Services, 8:00 a.m. to 7:00 p.m., ET, Monday through Friday, excluding holidays, at 800-352-3671.

Persons with hearing or speech impairments may call our TDD at 800-367-8331 or 850-922-1115.

For a detailed written response to your questions, write the Florida Department of Revenue, Taxpayer Services, 5050 West Tennessee Street, Building L, Tallahassee, FL 32399-0112.