

**Illinois Department of Revenue
Regulations**

Title 86 Part 475 Section 110	Imposed
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TITLE 86: REVENUE
CHAPTER I: DEPARTMENT OF REVENUE

PART 475
ILLINOIS HYDRAULIC FRACTURING TAX ACT

Section 475.110 Tax Imposed

- a) *Beginning July 1, 2013, a tax is imposed upon the severance and production of oil or gas from a well on a production unit in this State permitted, or required to be permitted, under the Regulatory Act, for sale, transport, storage, profit, or commercial use. Except as provided by Section 475.170, the tax shall be applied equally to all portions of the value of each barrel of oil severed and subject to that tax and to the value of the gas severed and subject to that tax.*
 - 1) *For a period of 24 months from the month in which oil or gas was first produced from the well, the rate of tax shall be 3% of the value of the oil or gas severed from the earth, soil or water in this State.*
 - A) The 24-month period begins on the first day of the month oil or gas is first removed by a purchaser.
 - B) If a well was producing oil or gas prior to July 1, 2013 and operations are conducted for which a permit is required under the Regulatory Act, the 24-month period begins on the first day of the month in which oil or gas is first removed after operations are conducted for which a permit was required under the Regulatory Act.
 - 2) Beginning the 25th month from the month in which oil was first produced from the well, the rate of tax for oil shall be as follows:
 - A) *where the average daily production from the well during the month is less than 25 barrels, 3% of the value of the oil severed from the earth, soil or water;*
 - B) *where the average daily production from the well during the month is 25 or more barrels but less than 50 barrels, 4% of the value of the oil severed from the earth, soil or water;*
 - C) *where the average daily production from the well during the month is 50 or more barrels but less than 100 barrels, 5% of the value of the oil severed from the earth, soil or water; or*
 - D) *where the average daily production from the well during the month is 100 or more barrels, 6% of the value of the oil severed from the earth, soil, or water.*

- 3) Beginning the 25th month from the month in which gas was first produced, *the rate of tax for gas shall be 6% of the value of the gas severed from the earth, soil, or water* [35 ILCS 450/2-15].
 - 4) If a first purchaser is required to withhold tax because the operator has not supplied the purchaser with an exemption certificate required by Section 475.130(b), the first purchaser shall withhold tax at the rate of 6% of the value of oil and gas.
- b) The Tax Act provides for a Local Workforce Tax Rate Reduction under certain conditions. *The rate of tax imposed on working interest owners of a well under Section 2-15 of the Tax Act shall be reduced by 0.25% for the life of the well when a minimum of 50% of the total workforce hours on the well site are performed by Illinois construction workers being paid wages equal to or exceeding the general prevailing rate of hourly wages* [35 ILCS 450/2-17]. (See Section 475.170.) To receive the Local Workforce Tax Rate Reduction, the oil from the well must be segregated and not commingled with the oil from any other well. If oil produced from a well that qualifies for the Local Workforce Tax Rate Reduction is commingled with the oil produced from any other well, the Local Workforce Tax Rate Reduction will be suspended during the period of that commingling, unless all the oil that is commingled is produced from wells that qualify for the Local Workforce Tax Rate Reduction, the producers are the same for all wells, and the amount of interest owned by each producer is the same for each well. Gas removed from a well that qualifies for the Local Workforce Tax Rate Reduction shall be separately metered prior to entering a common pipeline.
- c) Measurement of Oil and Gas
- 1) *For the purposes of the tax imposed by the Tax Act, the amount of oil produced shall be measured or determined by tank tables or lease automatic custody transfer (LACT) units without deduction for overage or losses in handling. Allowance for any reasonable and bona fide deduction for basic sediment and water, and for correction of temperature to 60 degrees Fahrenheit, will be allowed.*
 - 2) *For the purposes of the tax imposed by the Tax Act, the amount of gas produced shall be measured or determined, by meter readings showing 100% of the full volume expressed in cubic feet at a standard base and flowing temperature of 60 degrees Fahrenheit, and at the absolute pressure at which the gas is sold and purchased. Correction shall be made for pressure according to Boyle's law, and used for specific gravity according to the gravity at which the gas is sold and purchased. [35 ILCS 450/2-15(c)]*
- d) *The liability for the tax accrues at the time the oil or gas is removed from the production unit* [35 ILCS 450/2-15(f)].