

**Illinois Department of Revenue
Regulations**

Title 86 Part 475 Section 125	Taxable Value of Oil and Gas
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TITLE 86: REVENUE
CHAPTER I: DEPARTMENT OF REVENUE

PART 475
ILLINOIS HYDRAULIC FRACTURING TAX ACT

Section 475.125 Taxable Value of Oil and Gas

- a) The value of oil and gas is the sales price paid by the purchaser for the oil or gas produced, measured in accordance with Section 475.110(c), without any reduction for transportation charges or other charges imposed on the operator for services rendered by the purchaser in removing the oil from the production unit. If the operator transports oil and gas off the production unit where severed, the operator uses the oil and gas on the production unit where severed, or the manufacture and conversion of oil and gas into refined products occurs on the production unit where severed, the value of the oil and gas is the sales price paid by the operator, measured in accordance with Section 475.110(c), without any reduction for transportation charges or other charges imposed by the operator for services rendered by the operator in severing or removing the oil or gas from the production unit. *If oil or gas is exchanged for something other than cash, or if no sale occurs at the time of removal, or if the Department determines that the relationship between the buyer and the seller is such that the consideration paid, if any, is not indicative of the true value or market price, then the Department shall determine the value of the oil or gas subject to tax based on the cash price paid to one or more producers for the oil or gas or based on the cash price paid to producers for like quality oil or gas in the vicinity of the production unit at the time of the removal of the oil or gas from the production unit.* [35 ILCS 450/2-10]

- b) *The Department may determine the value of oil and gas severed from a production unit when the operator and purchaser are affiliated persons, when the sale and purchase of oil and gas is not an arm's length transaction, or when oil and gas are severed and removed from a production unit and a value is not established for that oil and gas. The value determined by the Department shall be commensurate with the actual price received for oil and gas of like quality, character, and use that are severed in the same field or area. If there are no sales of oil or gas of like quality, character, and use severed in the same field or area, then the Department shall establish a reasonable value based on sales of oil and gas of like quality, character, and use that are severed in other areas of the State, taking into consideration any other relevant factors.* [35 ILCS 450/2-20]