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Gov. Wolf's Proposed Natural Gas Extraction Tax

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Gov. Tom Wolf proposed a new severance tax on natural gas extraction, which he claims will generate more than \$1 billion annually for public schools. The proposal fails to consider the energy tax's impact on employment and utility prices. Moreover, it fails to account for what gas drillers already pay in taxes, fees, and royalties to landowners.

A Severance Tax Harms Pennsylvanians

- The gas industry is already pulling out of Pennsylvania due to low gas prices and better opportunities elsewhere. Energy companies have laid off thousands of Pennsylvanians and cut back investment. Among them are [Noble Energy](#), [Chevron Corp.](#), [Universal Well Services](#) and [Halliburton](#).
 - The severance tax would drive away more investment, resulting in [4,138 fewer private sector jobs in 2017](#), according to an economic modeling program developed by the Beacon Hill Institute.
- Low and middle income families in Pennsylvania—those earning less than \$100,000—will pay [\\$180 million more](#) in utility bills due to the severance tax, according to the Independent Fiscal Office (IFO).

Do Drillers Pay Their Fair Share?

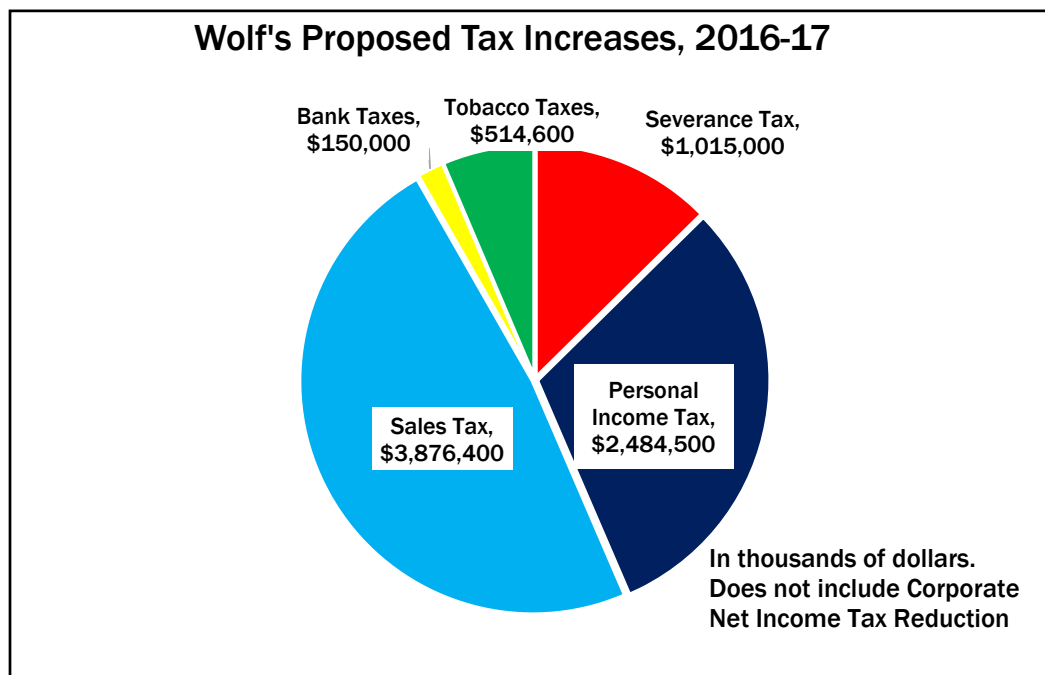
- [The IFO estimates](#) Pennsylvania drillers pay an effective 4.7% tax rate on natural gas through the state's impact fee.
 - Governor Wolf's severance tax proposal and price floor, under current market conditions, is [equivalent to a 17% tax](#), far above any other state's severance tax.
- The natural gas industry has paid:
 - More than [\\$800 million](#) in impact fees since 2011;
 - More than [\\$300 million](#) in other state taxes since 2009;
 - About [\\$7.7 billion in royalties](#) to landowners from 2007-2012;
 - State income taxes collections on those royalties netted [\\$235 million](#);
 - [\\$582 million](#) from the lease of state forest land through 2012;
 - Fees, bonds, and fines [levied by](#) the Department of Environmental Protection (DEP).
- Pennsylvania drillers pay many taxes that do not exist in other drilling states.
 - There is no corporate income or personal tax in Texas or Wyoming, and the corporate income tax in West Virginia is 6.5%, compared to Pennsylvania's 9.99% rate.
 - Of states that collect more than \$200 million in severance taxes, three have no individual income tax, two have no corporate income tax, five have no death tax, and two have no sales tax.
- If lawmakers want Pennsylvania's tax rate to reflect other energy producing states, they should cut or eliminate other state taxes.

Tax Collections by State in thousands				
	Individual Income Taxes	Corporation Net Income Taxes	Death and Gift Taxes	Sales and Gross Receipts Taxes
Pennsylvania	\$10,809,736	\$2,301,589	\$849,194	\$9,497,906
Texas	\$0	\$0	\$0	\$32,336,032
North Dakota	\$498,528	\$250,438	\$15	\$1,320,196
Alaska	\$0	\$408,938	\$0	\$0
New Mexico	\$1,297,493	\$205,702	\$0	\$2,098,676
Wyoming	\$0	\$0	\$0	\$765,543
Louisiana	\$2,753,680	\$481,212	\$150	\$2,923,336
West Virginia	\$1,770,466	\$203,508	\$0	\$1,221,966
Oklahoma	\$2,962,128	\$397,290	\$1,056	\$2,599,203
Montana	\$1,063,261	\$150,139	\$4	\$0
Colorado	\$5,658,457	\$717,506	\$434	\$2,615,601
Kentucky	\$3,749,258	\$674,464	\$45,844	\$3,131,157
Utah	\$2,889,912	\$307,910	\$0	\$1,823,355

Source: US Census Bureau

Tax Proposal puts Politics before Education

- **None of the proposed severance tax revenue** is dedicated for education, but \$225 million is earmarked for subsidizing alternative energy projects.
- According to the governor's own estimates, his income tax and sales tax increases will cost taxpayers **several times more than his severance tax**. His proposal collects more funding from taxing health care services and day care than from taxing natural gas.



Natural Gas Severance Tax Rates

Top Natural Gas Producing States 2013	States	Severance Tax on Natural Gas	Exemptions and Incentives for Unconventional Wells	Top Corporate Net Income Tax Rate	State and Local Tax Burden (as a percentage of State income/national rank)
1	Texas	7.5% of market value	Rate reduction appr. 2% for up to 10 years	none	7.5% / 47
2	Pennsylvania	4.7%*		9.99%	10.3% / 10
3	Louisiana	\$0.03-0.13 per MCF	Severance tax suspension on horizontally drilled well for 2 years or until payback	8%	7.6% / 46
4	Oklahoma	7% plus 0.095% excise tax	Exempt from severance tax for 4 years or until gas production pays for the cost of the well	6%	8.5% / 39
5	Wyoming	6% of taxable value	Gas transportation costs subtracted from the taxable value	none	6.9% / 50
6	Colorado	2% - 5% based on gross income	Allows producers to deduct 87.5% of their property taxes paid to gov. from severance tax to state	4.63%	9% / 32
7	New Mexico	3.75%		7.3%	8.6% / 37
8	Arkansas	5%	1.5% on new discovery wells for 24 months and on high cost wells for 36 months (can get extension)	6.5%	10.3% / 12
9	West Virginia	5% + \$0.047 per MCF		6.5%	9.7% / 19
10	Utah	3% - 5%	6 months exemption for development wells	5%	9.4% / 28
11	Alaska	25% - 50% net value	Reduction for all drilling in Cook Inlet basin and when gas is used in state; Limited tax credits for exploration	9.4%	7% / 49
12	Kansas	8% on gross Value severed from earth	3.67% tax credit for ad valorem taxes paid, effectively reducing the severance tax to 4.33%	7%	9.4% / 26
13	California	<0.01 per MCF		8.84%	11.4% / 4

*Pennsylvania levies an impact fee (akin to a tax) based chiefly on the number of natural gas horizontal wells.

Sources: Energy Information Administration, Independent Fiscal Office, Tax Foundation