

NATURAL GAS TAX FOR SMARTIES

PENNSYLVANIA TAXPAYER EDITION!

NOT SURE IF THE STATE SHOULD ENACT A UNIQUE AND EXTRA TAX ON NATURAL GAS? HERE ARE SOME IMPORTANT THINGS YOU NEED TO KNOW!

IS THE NATURAL GAS INDUSTRY AVOIDING TAXES?

No. There's no tax loophole for drillers. The industry pays the same taxes as every other business in the state, including the second highest corporate tax rate in the nation.

ARE DRILLING COMPANIES PAYING THEIR "FAIR SHARE"?

Yes...and then some! According to the Pennsylvania Department of Revenue, **oil and gas producers paid more than \$1.1 billion** in state taxes since 2006

The industry has also paid out an estimated \$5 billion in lease and royalty payments to residents since 2002. And local governments are receiving increased revenues from hotel taxes and processing fees. For example, in 2010, Bradford County received an estimated \$1 million from the drilling industry through minor revenue streams like recording and copying fees.

Moreover, natural gas companies put \$200 million into improving local roads last year—more money than a severance tax would have generated. Drilling companies are providing transportation funding far above what drilling communities receive from the state.

Also consider that state oversight for drilling is entirely funded through natural gas permits. Drillers paid \$11 million in permitting fees in 2009-10. The state is expected to receive \$60 million in royalties from drilling on state-owned lands next year.

DOESN'T EVERY OTHER STATE HAVE A NATURAL GAS TAX?

Yes, but wait a second: States with natural gas taxes have friendlier business climates. For instance, Texas and Wyoming have neither income nor corporate taxes. Pennsylvania already has the 10th highest tax burden in the nation and is one of the most expensive states in which to drill; it cost \$1 million more to drill a shale well in Pennsylvania than Texas.

TAXES OR FEES WON'T MAKE THIS INDUSTRY DISAPPEAR, RIGHT?

While the drilling industry won't disappear if a severance tax is enacted, there will be an impact—whether that is through reduced investment in the state, lower wages, reduction in job growth or a reduction in spending on things like road improvements. A severance tax or impact fee would hurt Pennsylvania landowners, because a typical lease splits tax obligations between drilling companies and landowners.

IS THE INDUSTRY'S ECONOMIC IMPACT BEING EXAGGERATED?

No. Dozens of drilling companies are investing in Pennsylvania and boosting the economy by creating high-paying, permanent jobs. Communities with Marcellus Shale development have seen increases in sales tax collections, job growth and increased property values. Many local residents are getting jobs with gas companies and local businesses, from trucking to manufacturing, are hiring more workers. Penn State economists estimate Marcellus activity has already spurred more than 88,000 new jobs in Pennsylvania.

DOES MARCELLUS SHALE EXPLORATION RAVAGE THE ENVIRONMENT?

No. Pennsylvania laws ensure drilling companies, and not taxpayers, are held responsible for environmental and infrastructure damages. For example, when EOG Resources had an accident in Clearfield County, the company paid eight times in fines the cost of the investigation and cleanup.