

New Energy Taxes Threaten Local Shale Benefits, Small Businesses & Labor Jobs

Yesterday, Gov. Tom Wolf formally rolled out his new energy tax proposal, which has been described as “outrageously onerous” and “a race to the bottom.” As this policy process moves forward, it’s critical to consider these facts:

- The proposed new energy tax – “a 7.5 percent effective tax rate—one of the highest in the nation” – will not, as the governor has promised, generate \$1 billion in new revenue, according to the Associated Press.
- In his own words, Gov. Wolf states that his new energy tax “is modeled on neighboring West Virginia’s” – which is near dead last among America’s Top States For Business.
- How active – in terms of investments being made, jobs being created, taxes being paid – is West Virginia’s shale industry compared to Pennsylvania’s? Pa. Chamber of Business and Industry president and CEO Gene Barr tells ABC 27 this: “West Virginia has gotten a fraction of the investment, a fraction of the jobs, and a fraction of the revenue that the state has seen here in Pennsylvania largely because of what they’ve put in in terms of 5 percent.” And according to the most recent data (Feb. 6), Pennsylvania’s rig count is 54, whereas West Virginia’s is 19.
- And what about the hundreds of millions in shale impact fee taxes – which are separate and apart from the billions in other fees, taxes and other payments the industry is responsible for – that benefit each of the Commonwealth’s 67 counties, especially communities with shale development? “Anxious local officials” are deeply – and rightfully – worried that Gov. Wolf’s new energy tax would eliminate “the current Act 13 impact fee that generated more than \$630 million since 2012 to communities directly impacted by drilling.” as the Washington Observer-Reports today under the headline “**Area officials: Don’t take away Act 13 impact fee.**”
- Washington Co. Commission Chairman Larry Maggi, a Democrat, tells the paper that the loss of a dedicated impact fee will be greatly missed by area municipalities. “I don’t agree that that should be pulled,” he said, adding local municipal leaders are the ones who know best where the money can be applied, whether it’s for road rehabilitation, bridge repairs, law enforcement or security. “We know that the township supervisors know best where that money needs to go. Now that money’s going to be siphoned off and going to Philadelphia or somewhere else.”

Local government officials and hard-working Pennsylvanians across our region’s building and labor trades agree that new energy taxes “will discourage capital investment into the commonwealth and make Pa. less competitive.” Here’s what others are saying about Gov. Wolf’s new energy tax plan:

- **Greene Co. Twp. Supervisor:** Glenn Adamson, supervisor in Morris Township, Greene Co., said the township does not want to see an end to the Act 13 impact fees. The township receives about \$500,000 a year, though it expects to get more this year because of increased drilling in the municipality. “Act 13 money helps us out tremendously,” Adamson said. (Observer-Reporter, 2/11/15)
- **Senator GeneYaw:** “It’s absurd to think development will increase to the point of generating \$1 billion by 2017 when companies are already slowing down development without a severance tax.” (Release, 2/11/15)



- **Wyoming Co. Commissioner:** A Wyoming County official wants impact payments to continue. “We are so hopeful they are not going to take that away,” said Commissioner Chairman Thomas Henry. “Everybody here gets a slice of the pie.” Wyoming County received \$1.1 million in impact fees last year. Nine other counties in Northeast Pennsylvania received impact fee revenue last year based on shale wells. (Citizens Voice, [2/12/15](#))
- **Robinson Twp. Supervisor:** “My hope is that the collection and distribution of impact fees to counties and municipalities, among others, such as conservation districts and Pennsylvania emergency management agencies, continues,” Kendall wrote in an email. “I am concerned about the long-term impact of this plan on the energy industry in this commonwealth.” (Observer-Reporter, [2/11/15](#))
- **Pa. State Assoc. of Twp. Supervisors:** “PSATS is very concerned about the loss of these local impact fee revenues, which are invaluable to our townships and their taxpayers. The natural gas industry has helped and should continue to help communities...with this economic development opportunity.” (Release, [2/11/15](#))
- **Pa. Chamber of Business and Industry:** “Placing additional tax burdens on natural gas drillers won’t only drive them to other states that share our natural resources. It will lead to a decline in the ancillary and supply chain jobs that are helping our middle class thrive, which will cause us to lose our competitive advantage in the shale play.” (Release, [2/11/15](#))
- **State Rep. Dave Reed:** “By adding 4.7 cents for each 1,000 cubic feet on top of the 5 percent on the value of the gas, the governor is, in actuality, pushing roughly a 7.5 percent effective tax rate – one of the highest in the nation. In fact, of the top natural gas producing states, only Texas taxes at this rate, and comparatively, they don’t have a corporate tax like Pennsylvania. The natural gas industry has helped drive the state’s unemployment to its lowest rate in nearly seven years and added billions to our economic activity. The real question becomes what impact such a high tax rate would have on job creation throughout the state.” (Release, [2/11/15](#))
- **Washington Co. Chamber of Commerce:** “What is more concerning is that we do not know how much revenue from the severance tax would now come back to counties such as Washington or Greene, where the drilling actually happens. And not knowing the specifics about something is always a concern. I suspect, though, that a larger portion of the governor’s proposed severance tax will be funneled to the Philadelphia area at the expense of Southwestern Pennsylvania.” (Observer-Reporter, [2/11/15](#))
- **State Rep. Stephen Bloom:** “Imposing a new severance tax on our already heavily taxed gas drilling industry would plug the pipeline to the best era of opportunity for Pennsylvania citizens since the glory days of steel and coal, cutting off the flow of jobs, energy and tax revenues we need to secure Pennsylvania’s future.” (Release, [2/11/15](#))
- **Cumberland Twp. Supervisor:** Cumberland Township supervisor Bill Groves also said the loss of Act 13 money would hurt the township financially. The township has received about \$900,000 each year in the recent years. Part of the money helps the township fund its full-time police department. It’s a significant amount and if Act 13 money is not available, “we’ll have to find the money someplace else,” he said. (Observer-Reporter, [2/11/15](#))

Read about these ten (of the many) reasons why new energy taxes would [squander a tremendous opportunity](#) for the entire Commonwealth. And [take action today](#) to stand with working families, local communities and small businesses across Pennsylvania in our efforts to protect jobs and economic opportunity for generations to come.