Pennsylvania 2018/19
BUDGET BRIEFING
Report on Key Issues
House Appropriations Committee (D)
JOE MARKOSEK, DEMOCRATIC CHAIRMAN August 2, 2018

Impact Fee Revenues

Pennsylvania's natural gas impact fee on drilling activity generated $209.6 million in calendar year 2017, which was $36.8 million, or 21 percent, more than the previous year.

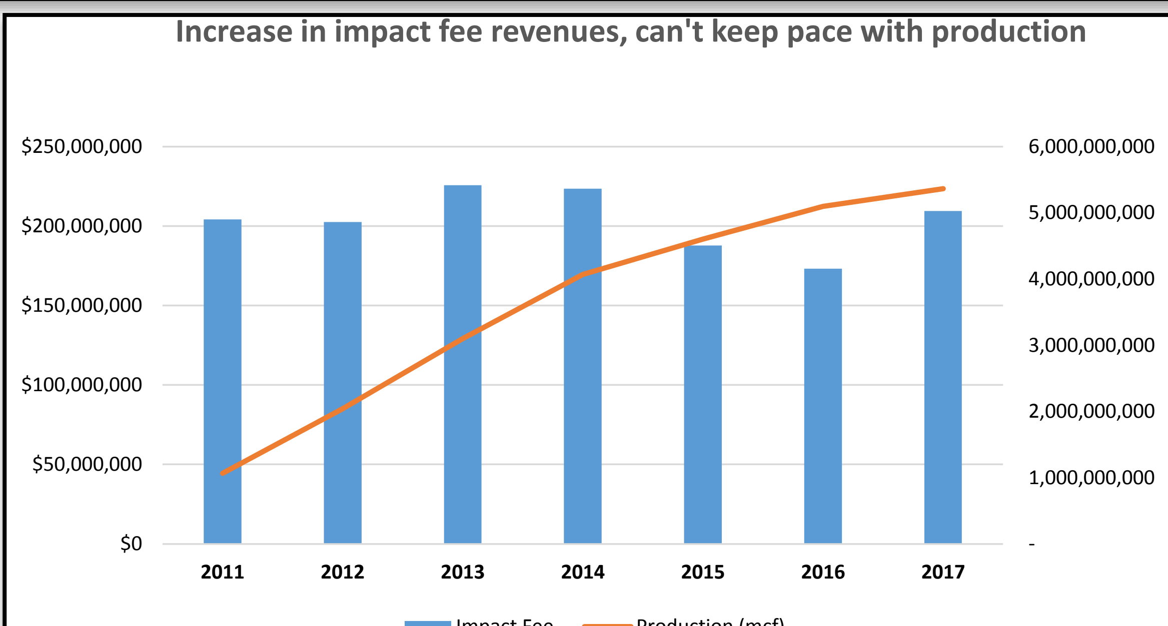
The change in annual revenue growth only paints a partial picture as the latest increase only partially offsets the combined three-year decline of $52.5 million. Impact fee revenues have declined in four of seven years, since its enactment.

Under the latest severance tax proposal, **HB 2253**, current impact fee collections and disbursements would remain the same but a severance tax could levy one of four rates depending on the average annual price of natural gas.

As estimated by the Independent Fiscal Office, the effective tax rate (ETR) for Pennsylvania would be 4 percent (consisting of an impact fee ETR of 1.6 percent and severance tax ETR of 2.4 percent). Should HB 2253 or any similar legislation be enacted, the Independent Fiscal Office says the severance tax could bring in between $277 million and $422 million in 2019/20. (The estimate is based on an average annual natural gas price from $3.00 to $5.99).

The Independent Fiscal Office maintains that 80 percent of Pennsylvania's natural gas production would be exported to other states. As such, 80 percent of the tax burden would be met by out-of-state consumers and would create a new source of PA revenue without extracting higher taxes from PA consumers.

As it stands, Pennsylvania is the only major natural gas producing state not to levy a severance tax. As natural gas production continues to increase, the commonwealth should seize the opportunity to enact a severance tax that raises revenue to address the critical needs of Pennsylvania citizens.



House Appropriations Committee (D)
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