

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL
No. 1863 Session of
2011

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WATERS, WATSON AND WILLIAMS, NOVEMBER 9, 2011

REFERRED TO COMMITTEE ON FINANCE, NOVEMBER 9, 2011

AN ACT

1 Amending Title 72 (Taxation and Fiscal Affairs) of the
2 Pennsylvania Consolidated Statutes, providing for a natural
3 gas severance tax; establishing accounts and funds; and
4 providing for use of revenue.

5 The General Assembly of the Commonwealth of Pennsylvania
6 hereby enacts as follows:

7 Section 1. Title 72 of the Pennsylvania Consolidated
8 Statutes is amended by adding a chapter to read:

9 CHAPTER 15

10 NATURAL GAS DRILLING TAX AND INVESTMENT

11 Subchapter

12 A. Preliminary Provisions

13 B. Tax

14 C. Accounts and Fund

15 D. Transfer, Distribution and Allocation

1 SUBCHAPTER A

2 PRELIMINARY PROVISIONS

3 Sec.

4 1501. Scope of chapter.

5 1502. Definitions.

6 § 1501. Scope of chapter.

7 This chapter relates to a natural gas drilling tax and
8 investment.

9 § 1502. Definitions.

10 The following words and phrases when used in this chapter
11 shall have the meanings given to them in this section unless the
12 context clearly indicates otherwise:

13 "Account." The Natural Gas Severance Tax Account.

14 "Accredited laboratory." A facility engaged in the testing
15 and calibration of scientific measurement devices and certified
16 by the Department of Environmental Protection as having met the
17 Department of Revenue's standards for accreditation.

18 "Association." A partnership, limited partnership or any
19 other form of unincorporated enterprise owned or conducted by
20 two or more persons.

21 "Bi-fuel vehicle." A vehicle that operates on compressed
22 natural gas and gasoline or compressed natural gas and diesel
23 fuel and has a minimum fueling capacity of five gasoline gallon
24 equivalents of compressed natural gas. The term includes
25 original equipment manufacturer and retrofitted vehicles.

26 "Coal bed methane." Gas that can be produced from coal beds,
27 coal seams, mined-out areas or gob wells.

28 "Community integration." Living in a home or setting of an
29 individual's own choice where:

30 (1) a similarly situated individual without a disability

1 would live;

2 (2) the individual is afforded opportunities to develop
3 relationships with other individuals who are not paid staff
4 and experience inclusion in the economic, political, social,
5 cultural and educational mainstream of society;

6 (3) the individual can exercise rights freely; and

7 (4) the individual can make decisions to live an
8 everyday life.

9 The term does not include an institution or other large
10 congregate setting.

11 "Compressed natural gas vehicle." A self-propelled,
12 dedicated vehicle operating on compressed natural gas designed
13 for transporting persons or property.

14 "Corporation." A corporation, joint stock association,
15 limited liability company, business trust or any other
16 incorporated enterprise organized under the laws of the United
17 States, this Commonwealth or any other state, territory or
18 foreign country or dependency.

19 "Critical waiting list." A waiting list for individuals who
20 will need community services from the Department of Public
21 Welfare in:

22 (1) more than six months; but

23 (2) less than two years.

24 "Dedicated compressed natural gas vehicle." A vehicle that
25 is produced by an original equipment manufacturer or a small
26 volume manufacturer that operates on 90% or more compressed
27 natural gas fuel and 10% or less on gasoline or 90% or more on
28 compressed natural gas fuel and 10% or less on diesel fuel.

29 "Department." The Department of Revenue of the Commonwealth.

30 "Emergency waiting list." A waiting list for individuals who

1 will need community services from the Department of Public
2 Welfare within the next six months.

3 "Intellectual disability." A disability as defined by the
4 American Association of Intellectual and Developmental
5 Disabilities.

6 "Large mass transit authority." A mass transit authority
7 located in this Commonwealth that exceeds 245,000 revenue
8 vehicle hours for two consecutive years.

9 "Mass transit authority." An operator of regularly scheduled
10 transportation that is available to the general public and is
11 provided according to published schedules along designated
12 published routes with specified stopping points for the taking
13 on and discharging of passengers. The term does not include
14 exclusive ride taxi services, charter or sightseeing services,
15 nonpublic transportation or school bus or limousine services.

16 "Meter." A device to measure the passage of volumes of gases
17 or liquids past a certain point.

18 "Municipality." A city, borough, incorporated town or
19 township.

20 "Natural gas." A fossil fuel consisting of a mixture of
21 hydrocarbon gases, primarily methane, possibly including ethane,
22 propane, butane, pentane, carbon dioxide, oxygen, nitrogen and
23 hydrogen sulfide and other gas species. The term includes
24 natural gas from oil fields known as associated gas or casing
25 head gas, natural gas fields known as nonassociated gas, coal
26 beds, shale beds and other formations. The term does not include
27 coal bed methane.

28 "Natural gas well." A bore hole drilled or being drilled for
29 the purpose of or to be used for producing natural gas from
30 subsurface geological formations.

1 "Nonproducing well." A natural gas well that does not
2 produce natural gas in excess of 60,000 cubic feet per day.

3 "Operator." A person who engages or continues within this
4 Commonwealth in the business of severing natural gas for sale,
5 profit or commercial use. The term does not include a person who
6 severs natural gas from a storage field.

7 "Person." A natural person or a corporation, fiduciary,
8 association or other entity, including the Commonwealth, its
9 political subdivisions, instrumentalities and authorities. If
10 the term is used in a provision prescribing and imposing a
11 penalty or imposing a fine or imprisonment, or both, the term
12 shall include a member of an association and an officer of a
13 corporation.

14 "Prioritization of Urgency of Need for Services." A system
15 administered by the Office of Developmental Disabilities which
16 employs a standardized survey, using consistent definitions and
17 data collection methods, to determine the number and
18 characteristics of individuals on the critical waiting list and
19 the emergency waiting list.

20 "Producing well." An unconventional natural gas well that
21 produces natural gas in excess of 60,000 cubic feet of natural
22 gas per day.

23 "Rate." The rate under section 1511(c) (relating to
24 imposition of tax).

25 "Reporting period." A calendar month in which natural gas is
26 severed.

27 "Secretary." The Secretary of Revenue of the Commonwealth.

28 "Sever." To extract or otherwise remove natural gas from the
29 soil or water of this Commonwealth.

30 "Severance." The extraction or other removal of natural gas

1 from the soil or water of this Commonwealth.

2 "Severing." Extracting or otherwise removing natural gas
3 from the soil or water of this Commonwealth.

4 "Small mass transit authority." A mass transit authority
5 located in this Commonwealth that does not exceed 245,000
6 revenue vehicle hours for two consecutive years.

7 "Storage field." A natural formation or other site that is
8 used to store natural gas that did not originate from and has
9 been injected into the formation or site.

10 "Tax." The natural gas severance tax imposed under this
11 chapter.

12 "Tax rate adjustment index." The amount calculated under
13 section 1511(c) (relating to imposition of tax) by which the
14 rate of the tax imposed under section 1511(c) is adjusted
15 annually.

16 "Tax Reform Code." The act of March 4, 1971 (P.L.6, No.2),
17 known as the Tax Reform Code of 1971.

18 "Taxpayer." A person, including a well operator who is
19 subject to the tax imposed by this chapter.

20 "Unconventional gas well." A bore hole drilled or being
21 drilled for the purpose of or to be used for producing oil or
22 gas from a geologic formation existing below the base of the Elk
23 Sandstone or its geologic equivalent stratigraphic interval
24 where oil or gas generally cannot be produced at economic flow
25 rates or in economic volumes except by wells stimulated by
26 hydraulic fracture treatments, a horizontal well bore or by
27 using multilateral well bores or other techniques to expose more
28 of the formation of the well bore.

29 "Unit." A thousand cubic feet of natural gas measured at a
30 wellhead at a temperature of 60 degrees Fahrenheit and an

absolute pressure of 14.73 pounds per square inch in accordance with American Gas Association Standards and according to Boyle's Law for the measurement of gas under varying pressures with deviations as follows:

(1) The average absolute atmospheric pressure shall be assumed to be 14.4 pounds to the square inch, regardless of elevation or location of point of delivery above sea level or variations in atmospheric pressure from time to time.

(2) The temperature of the gas passing a wellhead meter shall be determined by the continuous use of a recording thermometer installed to properly record the temperature of gas flowing through the wellhead meter. The arithmetic average of the temperature recorded each 24-hour day shall be used in computing gas volumes. If a recording thermometer is not installed or is installed and not operating properly, an average flowing temperature of 60 degrees Fahrenheit shall be used in computing gas volume.

(3) The specific gravity of the gas shall be determined by annual tests made by the use of an Edwards or Acme gravity balance, or at intervals as found necessary in practice. Specific gravity determinations shall be used in computing gas volumes.

(4) The deviation of the natural gas from Boyle's Law shall be determined by annual tests or at other shorter intervals as found necessary in practice. The apparatus and method used in making the test shall be in accordance with recommendations of the National Bureau of Standards or Report No. 3 of the Gas Measurement Committee of the American Gas Association, or amendments to the recommendations or report. The results of the tests shall be used in computing the

volume of gas delivered under this chapter.

"Wellhead meter." A meter placed at a producing or
nonproducing site to measure the volume of natural gas severed
for which a wellhead meter certification has been issued.

"Wellhead meter certification." A report issued by an
accredited laboratory certifying the accuracy of a wellhead
meter.

SUBCHAPTER B

TAX

Sec.

1511. Imposition of tax.

1512. Return and payment.

1513. Natural gas severance tax registration.

1514. Assessments.

1515. Time for assessment.

1516. Extension of assessment period.

1517. Reassessments.

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1523. Collection upon failure to request reassessment, review
or appeal.

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1525. Tax suit reciprocity.

1526. Service.

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1529. Rules and regulations.

1 1530. Recordkeeping and meters.
2 1531. Examinations.
3 1532. Unauthorized disclosure.
4 1533. Cooperation with other governments.
5 1534. Bonds.
6 \$ 1511. Imposition of tax.

7 (a) Establishment.--Except as provided under subsection (b),
8 a natural gas severance tax shall be levied on every operator
9 that severs natural gas from a producing unconventional gas well
10 in this Commonwealth.

11 (b) Exemptions.--The tax shall not be imposed on the
12 following:

13 (1) Units severed, sold and delivered by an operator at
14 or within five miles of the producing unconventional gas well
15 for the processing or manufacture of tangible personal
16 property, as defined under section 201 of the Tax Reform
17 Code, within this Commonwealth.

18 (2) Units provided free of charge to the owner of the
19 surface under which the gas is severed, if the surface owner
20 is the end user of the gas.

21 (c) Rate.--The tax imposed under subsection (a) shall be
22 4.9% of the gross value of units severed at the wellhead during
23 a reporting period thereafter for each producing well.

24 (d) Application of rate determinations.--This section shall
25 affect only the determination of the rate of the tax on the
26 severance units of natural gas imposed under this section. This
27 section is not intended, nor shall be construed, to affect any
28 other determination including the determination of royalty due
29 under mineral leases. Notwithstanding any other provision of
30 law, the tax imposed under this chapter shall not reduce any

royalty payments due under mineral leases and the producer may not recover any portion of the tax paid from the royalty owner through other means of deduction or reallocation, notwithstanding any provision in the lease, contract or agreement.

§ 1512. Return and payment.

(a) Requirement.--An operator shall file a return with the department, on a form prescribed by the department, which shall include the number of natural gas units severed by the operator for the reporting period and the amount of tax due.

(b) Filing.--The return required under subsection (a) shall be filed with the department within 30 days following the end of a reporting period.

(c) Deadline.--The tax shall be due on the day the return is required to be filed and becomes delinquent if not remitted to the department by that date.

§ 1513. Natural gas severance tax registration.

(a) Application.--Before an operator severs natural gas in this Commonwealth, the operator shall apply to the department for a natural gas severance tax registration certificate.

(b) Application fee.--The department may charge an application fee to cover the administrative costs associated with the application and registration process. If the department charges a fee, it may not issue a registration certificate until the operator has paid the application fee.

(c) Declaration.--

(1) The operator shall include in its application a declaration of all producing wells and nonproducing wells used by the operator for the severance of natural gas. The declaration shall include copies of wellhead meter

1 certifications for each site.

2 (2) The operator shall update the declaration when:

3 (i) the operator adds or removes a producing well or
4 nonproducing well in this Commonwealth;

5 (ii) there is a change in the status of a producing
6 well or nonproducing well; or

7 (iii) the operator uses a different accredited
8 laboratory to issue a wellhead meter certification.

9 (3) The operator shall update the declaration within 30
10 days after a calendar month in which a change to the
11 declaration occurs.

12 (d) Issuance.--

13 (1) Except as provided under subsection (e), after the
14 receipt of an application, the department shall issue a
15 registration certificate under subsection (a). The
16 registration certificate shall be nonassignable.

17 (2) All registrants shall renew their registration
18 certificates and wellhead meter certifications on a staggered
19 renewal system established by the department.

20 (3) After the initial staggered renewal period, a
21 registration certificate or a wellhead meter certification
22 issued shall be valid for a period of five years.

23 (e) Refusal, suspension or revocation.--

24 (1) The department may refuse to issue, suspend or
25 revoke a registration certificate if the applicant or
26 registrant has not filed required State tax reports and paid
27 State taxes not subject to a timely perfected administrative
28 or judicial appeal or subject to a duly authorized deferred
29 payment plan.

30 (2) The department shall notify the applicant or

1 registrant of any refusal, suspension or revocation. The
2 notice shall contain a statement that the refusal, suspension
3 or revocation may be made public. The notice shall be made by
4 first class mail.

5 (3) An applicant or registrant aggrieved by the
6 determination of the department may file an appeal under the
7 provisions for administrative appeals provided under the Tax
8 Reform Code.

9 (4) If a suspension or revocation is appealed, the
10 registration certificate shall remain valid pending a final
11 outcome of the appeals process.

12 (5) Notwithstanding sections 274, 353(f), 408(b), 603,
13 702, 802, 904 and 1102 of the Tax Reform Code or any other
14 provision of law, if no appeal is taken or if an appeal is
15 taken and denied at the conclusion of the appeal process, the
16 department may disclose, by publication or otherwise, the
17 identity of an operator and the fact that the operator's
18 registration certificate has been refused, suspended or
19 revoked under this subsection. Disclosure may include the
20 basis for refusal, suspension or revocation.

21 (f) Violation.--

22 (1) A person severing natural gas in this Commonwealth
23 without holding a valid registration certificate under
24 subsection (d) commits a summary offense and shall, upon
25 conviction, be sentenced to pay a fine of not less than \$300
26 nor more than \$1,500. Each day in which a person commits a
27 summary offense under this section shall be deemed to be a
28 separate violation.

29 (2) If the person convicted defaults in the payment of
30 the fine, the person shall be sentenced to a term of

imprisonment of not less than five days nor more than 30 days.

(3) The penalties imposed under this subsection shall be in addition to any other penalties imposed under this chapter.

(4) For purposes of this subsection, the severing of natural gas during any calendar day shall constitute a separate violation.

(5) The secretary may designate employees of the department to enforce this subsection. The employees shall exhibit proof of and be within the scope of the designation when instituting proceedings as provided by the Pennsylvania Rules of Criminal Procedure.

(g) Failure to obtain registration certificate.--Failure to obtain or hold a valid registration certificate shall not relieve a person from liability for the tax.
§ 1514. Assessments.

(a) Authorization and requirement.--The department shall make the inquiries, determinations and assessments of the tax, including interest, additions and penalties imposed under this chapter.

(b) Notice.--The notice of assessment and demand for payment shall be mailed to the taxpayer. The notice shall state the basis of the assessment. The department shall send the notice of assessment to the taxpayer by regular mail or, if the assessment increases the taxpayer's tax liability by at least \$300, to its registered address by certified mail.

§ 1515. Time for assessment.

(a) Requirement.--

(1) An assessment provided under section 1514 (relating

1 to assessments) shall be made within three years after the
2 date when the return provided for under section 1512
3 (relating to return and payment) is filed or the end of the
4 year in which the tax liability arises, whichever shall occur
5 last.

6 (2) For the purposes of this subsection and subsection
7 (b), a return filed before the last day prescribed for the
8 filing period shall be considered as filed on the last day.

9 (b) Exception.--If the taxpayer underpays the correct amount
10 of the tax due by 25% or more, the tax may be assessed within
11 six years after the date the return was filed.

12 (c) Intent to evade.--If no return is filed or if the
13 taxpayer files a false or fraudulent return with intent to evade
14 the tax, the assessment may be made at any time.

15 (d) Erroneous credit or refund.--Within three years of the
16 granting of a refund or credit or within the period in which an
17 assessment or reassessment may have been issued by the
18 department for the taxable period for which the refund was
19 granted, whichever period shall last occur, the department may
20 issue an assessment to recover a refund or credit made or
21 allowed erroneously.

22 § 1516. Extension of assessment period.

23 Notwithstanding any other provision of this chapter, the
24 assessment period may be extended if a taxpayer has provided
25 written consent before the expiration of the period provided
26 under section 1515 (relating to time for assessment) for a tax
27 assessment. The amount of tax due may be assessed at any time
28 within the extended period. The period may be extended further
29 by subsequent written consents made before the expiration of the
30 extended period.

1 § 1517. Reassessments.

2 A taxpayer against whom an assessment is made may petition
3 the department for a reassessment under Article XXVII of the Tax
4 Reform Code.

5 § 1518. Interest.

6 The department shall assess interest on any delinquent tax at
7 the rate prescribed under section 806 of the act of April 9,
8 1929 (P.L.343, No.176), known as The Fiscal Code.

9 § 1519. Penalties.

10 The department shall enforce the following penalties:

11 (1) The penalty against an operator for severing natural
12 gas without a natural gas severance tax registration
13 certificate shall be \$1 for every unit severed without a
14 valid registration certificate. The department may assess the
15 penalty separately from or in conjunction with any assessment
16 of the natural gas tax.

17 (2) The penalty against an operator for failure to
18 timely file a return as required under section 1512 (relating
19 to return and payment) or for failure to timely pay the tax
20 as required by section 1512(c) shall be 5% of the tax
21 liability to be reported on the return for each day beyond
22 the due date that the return is not filed or tax is not paid.

23 (3) In addition to the penalty prescribed under
24 paragraph (2), the penalty against an operator for a willful
25 failure to file a timely return shall be 200% of the tax
26 liability required to be reported on the return.

27 § 1520. Criminal acts.

28 (a) Fraudulent return.--Any person, with intent to defraud
29 the Commonwealth, who willfully makes or causes to be made a
30 return required under this chapter which is false commits a

misdemeanor of the third degree and shall, upon conviction, be
sentenced to pay a fine of not more than \$2,000 or to
imprisonment for not more than three years, or both.

(b) Other crimes.--

(1) Except as provided under subsection (a), a person
commits a misdemeanor of the third degree and shall, upon
conviction, be sentenced to pay a fine of not more than
\$1,000 and costs of prosecution or to imprisonment for not
more than one year, or both, for any of the following:

(i) Willfully failing to timely remit the tax to the
department.

(ii) Willfully failing or neglecting to timely file
a return or report required under this chapter.

(iii) Refusing to timely pay a tax, penalty or
interest imposed or provided for under this chapter.

(iv) Willfully failing to preserve its books, papers
and records as directed by the department.

(v) Refusing to permit the department or its
authorized agents to examine its books, records or
papers.

(vi) Knowingly making any incomplete, false or
fraudulent return or report.

(vii) Preventing or attempting to prevent the full
disclosure of the amount of tax due.

(viii) Providing any person with a false statement
as to the payment of the tax with respect to any
pertinent facts.

(ix) Making, uttering or issuing a false or
fraudulent statement.

(2) The penalties imposed under this section shall be in

addition to other penalties imposed under this chapter.

§ 1521. Abatement of additions or penalties.

Upon the filing of a petition for reassessment or a petition for refund by a taxpayer as provided under this chapter, additions or penalties imposed upon the taxpayer under this chapter may be waived or abated in whole or in part if the petitioner establishes that the petitioner acted in good faith, without negligence and with no intent to defraud.

§ 1522. Bulk and auction sales.

A person who sells or causes to be sold at auction or sells or transfers in bulk 51% or more of a stock of goods, wares or merchandise of any kind, fixtures, machinery, equipment, buildings or real estate involved in a business for which the person holds a registration certificate or is required to obtain a registration certificate under this chapter shall be subject to section 1403 of the act of April 9, 1929 (P.L.343, No.176), known as The Fiscal Code.

§ 1523. Collection upon failure to request reassessment, review or appeal.

(a) Power of department.--The department may collect the tax:

(1) If an assessment of the tax is not paid within 30 days and no petition for reassessment has been filed, after notice to the taxpayer.

(2) Within 60 days of a reassessment, if no petition for review has been filed.

(3) If no appeal has been made, within 30 days of:

(i) the Board of Finance and Revenue's decision of a petition for review; or

(ii) the expiration of the Board of Finance and

1 Revenue's time for acting upon a petition for review.

2 (4) In all cases of judicial sales, receiverships,
3 assignments or bankruptcies.

4 (b) Limitation of defenses.--In a case for the collection of
5 taxes under subsection (a), the taxpayer against whom the taxes
6 were assessed may not set up a ground of defense that might have
7 been determined by the department, the Board of Finance and
8 Revenue or the courts, except that the defense of failure of the
9 department to mail notice of assessment or reassessment to the
10 taxpayer and the defense of payment of assessment or
11 reassessment may be raised in proceedings for collection by a
12 motion to stay the proceedings.

13 § 1524. Tax liens.

14 (a) Lien imposed.--

15 (1) If a taxpayer neglects or refuses to pay the tax for
16 which the taxpayer is liable under this chapter after demand,
17 the amount, including interest, addition or penalty, together
18 with additional costs that may accrue, shall be a lien in
19 favor of the Commonwealth upon the real and personal property
20 of the taxpayer but only after the lien has been entered and
21 docketed of record by the prothonotary of the county where
22 the property is situated.

23 (2) The department may, at any time, transmit to the
24 prothonotaries of the respective counties certified copies of
25 all liens imposed by this section.

26 (3) The following shall apply:

27 (i) The prothonotary who receives the lien shall
28 enter and docket the same of record to the office of the
29 prothonotary. The lien shall be indexed as judgments are
30 indexed.

1 (ii) No prothonotary shall require as a condition
2 precedent to the entry of the lien the payment of costs
3 incidental to its entry.

4 (b) Priority of lien and effect on judicial sale.--Except
5 for the costs of the sale and the writ upon which the sale was
6 made and real estate taxes and municipal claims against the
7 property, a lien imposed under this section shall:

8 (1) Have priority from the date of its recording and
9 shall be fully paid and satisfied out of the proceeds of any
10 judicial sale of property subject to the lien before any
11 other obligation, judgment, claim, lien or estate to which
12 the property may subsequently become subject.

13 (2) Be subordinate to mortgages and other liens existing
14 and duly recorded or entered of record prior to the recording
15 of the lien.

16 (c) No discharge by sale on junior lien.--

17 (1) In the case of a judicial sale of property subject
18 to a lien imposed under this section, upon a lien or claim
19 over which the lien imposed under this section has priority,
20 the sale shall discharge the lien imposed under this section
21 to the extent only that the proceeds are applied to its
22 payment, and the lien shall continue in full force and effect
23 as to the balance remaining unpaid.

24 (2) There shall be no inquisition or condemnation upon
25 any judicial sale of real estate made by the Commonwealth
26 under this chapter. The lien shall continue as provided under
27 the act of April 9, 1929 (P.L.343, No.176), known as The
28 Fiscal Code, and a writ of execution may directly issue upon
29 the lien without the issuance and prosecution to judgment of
30 a writ of scire facias, subject to the following:

1 (i) Not less than ten days before issuance of any
2 execution on the lien, notice of the filing and the
3 effect of the lien shall be sent by registered mail to
4 the taxpayer at its last known post office address.

5 (ii) The lien shall have no effect upon any stock of
6 goods, wares or merchandise regularly sold or leased in
7 the ordinary course of business by the taxpayer against
8 whom the lien has been entered, unless and until a writ
9 of execution has been issued and a levy made upon the
10 stock of goods, wares and merchandise.

11 (d) Violation by prothonotary.--A willful failure of a
12 prothonotary to carry out any duty imposed on the prothonotary
13 under this section shall be a misdemeanor of the third degree
14 and, upon conviction, the prothonotary shall be sentenced to pay
15 a fine of not more than \$1,000 and costs of prosecution or to
16 imprisonment for not more than one year, or both.

17 (e) Priority.--

18 (1) Except as provided under this chapter, the
19 distribution, voluntary or compulsory, in receivership,
20 bankruptcy or otherwise of the property or estate of any
21 person, all taxes which are due and unpaid and are not
22 collectible under section 225 of the Tax Reform Code shall be
23 paid from the first money available for distribution in
24 priority to all other claims and liens, except as the laws of
25 the United States may give priority to a claim to the Federal
26 Government.

27 (2) A person required to administer or distribute the
28 property or estate who violates this section shall be
29 personally liable for the taxes which are accrued and unpaid
30 and chargeable against the person whose property or estate is

1 being administered or distributed.

2 (f) Construction.--Subject to the limitations contained
3 under this chapter as to the assessment of taxes, nothing
4 contained under this section shall be construed to restrict,
5 prohibit or limit the use by the department in collecting taxes
6 due and payable of another remedy or procedure available at law
7 or equity for the collection of debts.

8 § 1525. Tax suit reciprocity.

9 The courts of this Commonwealth shall recognize and enforce
10 liabilities for natural gas severance or extraction taxes
11 lawfully imposed by any other state, if the other state
12 recognizes and enforces the tax imposed under this chapter.

13 § 1526. Service.

14 (a) Rule.--

15 (1) Service shall be made upon the operator.

16 (2) If service cannot be made upon the operator as
17 provided under law, service may be made upon the Secretary of
18 the Commonwealth.

19 (3) If service is made under paragraph (2), a copy of
20 the process or notice shall be personally served upon any
21 agent or representative of the operator who may be found
22 within this Commonwealth or, if no agent or representative
23 may be found, a copy of the process or notice shall be sent
24 by registered mail to the operator at the last known address
25 of its principal place of business, home office or residence.

26 (b) Appointment of Secretary of the Commonwealth.--An
27 operator shall be deemed to have appointed the Secretary of the
28 Commonwealth its agent for the acceptance of service of process
29 or notice in a proceeding for the enforcement of the civil
30 provisions of this chapter and service made upon the Secretary

1 of the Commonwealth as agent shall be of the same legal force
2 and validity as if the service had been personally made upon the
3 operator.

4 § 1527. Refunds.

5 (a) Duty.--Under Article XXVII of the Tax Reform Code, the
6 department shall refund all taxes, interest and penalties paid
7 to the Commonwealth under this chapter to which the Commonwealth
8 is not rightfully entitled.

9 (b) Payment of refunds.--

10 (1) Except as provided under paragraph (2), the refunds
11 under subsection (a) shall be paid to the person or the
12 person's heirs, successors, assigns or other personal
13 representatives who paid the tax.

14 (2) No refund shall be made under this section regarding
15 a payment made by reason of an assessment if a taxpayer has
16 filed a petition for reassessment under section 2702 of the
17 Tax Reform Code to the extent the petition is adverse to the
18 taxpayer by a decision which is no longer subject to further
19 review or appeal.

20 (c) Construction.--Nothing under this chapter shall be
21 construed to prohibit a taxpayer who has filed a timely petition
22 for reassessment from amending it to a petition for refund where
23 the petitioner paid the tax assessed.

24 § 1528. Refund petition.

25 (a) General rule.--Except as provided under subsection (b),
26 the refund or credit of tax, interest or penalty provided for
27 under section 1527 (relating to refunds) shall be made if the
28 person who has paid the tax files a petition for refund with the
29 department under Article XXVII of the Tax Reform Code within the
30 time limits of section 3003.1 of the Tax Reform Code.

1 (b) Natural gas severance tax.--

2 (1) A refund or credit of tax, interest or penalty paid
3 as a result of an assessment made by the department under
4 section 1513 (relating to natural gas severance tax
5 registration) shall be made if the person who has paid the
6 tax files with the department a petition for a refund under
7 Article XXVII of the Tax Reform Code within the time limits
8 of section 3003.1 of the Tax Reform Code.

9 (2) The filing of a petition for a refund under this
10 subsection shall not affect the abatement of interest,
11 additions or penalties to which the person may be entitled by
12 reason of the person's payment of the assessment.

13 § 1529. Rules and regulations.

14 The department shall enforce this chapter and may prescribe,
15 adopt, promulgate and enforce rules and regulations not
16 inconsistent with this chapter relating to the administration
17 and enforcement of this chapter and the collection of taxes,
18 penalties and interest imposed under this chapter. The
19 department may prescribe the extent to which any of the rules
20 and regulations shall be applied without retroactive effect.

21 § 1530. Recordkeeping and meters.

22 (a) Duty to maintain records.--

23 (1) Every person liable for the tax or for the
24 collection of the tax shall keep records, including those
25 enumerated under subsection (b), render statements, make
26 returns and comply with the rules and regulations as the
27 department may prescribe regarding matters pertinent to the
28 person's business.

29 (2) Whenever it is necessary, the department may require
30 a person, by notice served upon the person or by regulations,

1 to make returns, render statements or keep records as the
2 department deems sufficient to show whether or not the person
3 is liable to pay the tax.

4 (b) Records.--Every person liable for the tax shall maintain
5 the following records:

6 (1) Wellhead meter charts for each reporting period and
7 the meter calibration and maintenance records. If turbine
8 meters are in use, the maintenance records shall be made
9 available to the department upon request.

10 (2) Records, statements and other instruments furnished
11 to an operator by a person to whom the operator delivers for
12 sale, transport or delivery of natural gas.

13 (3) Records, statements and other instruments as the
14 department may prescribe by regulation.

15 (c) Records of nonresidents.--

16 (1) A nonresident who does business in this Commonwealth
17 as an operator shall keep adequate records of the business
18 and of the tax due as a result. The records shall be retained
19 within this Commonwealth unless retention outside this
20 Commonwealth is authorized by the department.

21 (2) The department may require a taxpayer who desires to
22 retain records outside this Commonwealth to assume reasonable
23 out-of-State audit expenses.

24 (d) Keeping of separate records.--

25 (1) An operator who is engaged in another business which
26 does not involve the severing of natural gas taxable under
27 this chapter shall keep separate books and records of the
28 businesses showing the taxable severing of natural gas under
29 this chapter separately from other business activities not
30 taxable under this chapter.

1 (2) If any person fails to keep separate books and
2 records under paragraph (1), the person shall be liable for a
3 penalty equaling 100% of tax due for the period when separate
4 records were not maintained.

5 (e) Type of meters required.--An operator shall provide for
6 and maintain, according to industry standards, a discrete
7 wellhead meter where natural gas is severed. Any wellhead meter
8 installed after the effective date of this section must be a
9 digital meter.

10 § 1531. Examinations.

11 (a) Powers of department.--The department or any of its
12 authorized agents may:

13 (1) Examine the books, papers and records of any
14 taxpayer in order to verify the accuracy and completeness of
15 any return made or, if no return was made, to ascertain and
16 assess the tax.

17 (2) Require the preservation of all books, papers and
18 records for any period deemed proper by it but not to exceed
19 three years from the end of the calendar year to which the
20 records relate.

21 (3) Examine any person, under oath, concerning the
22 taxable severing of natural gas by any taxpayer or concerning
23 any other matter relating to the enforcement or
24 administration of this chapter. The department may compel the
25 production of books, papers and records and the attendance of
26 all persons whether as parties or witnesses whom it believes
27 to have knowledge of relevant matters to accomplish its
28 powers under this paragraph. The procedure for the hearings
29 or examinations shall be the same as provided under the act
30 of April 9, 1929 (P.L.343, No. 176), known as The Fiscal

1 Code.

2 (b) Duties of taxpayers.--Every taxpayer shall provide the
3 department or its agent with the means, facilities and
4 opportunity for examinations and investigations under this
5 section.

6 § 1532. Unauthorized disclosure.

7 (a) General rule.--Any information gained by the department
8 as a result of any return, examination, investigation, hearing
9 or verification required or authorized under this chapter shall
10 be confidential except for official purposes and except in
11 accordance with proper judicial order or as otherwise provided
12 by law.

13 (b) Penalty for violation.--Any person unlawfully divulging
14 the information commits a misdemeanor of the third degree and
15 shall, upon conviction, be sentenced to pay a fine of not more
16 than \$1,000 and costs of prosecution or to a term of
17 imprisonment for not more than one year, or both.

18 § 1533. Cooperation with other governments.

19 (a) General rule.--Notwithstanding section 1525 (relating to
20 tax suit reciprocity), the department may do any of the
21 following with regard to the Commissioner's Office of the
22 Internal Revenue Service, the proper officer of any state or the
23 authorized representative of either of them:

24 (1) Permit the inspection of the tax returns of any
25 taxpayer.

26 (2) Furnish an abstract of the return of a taxpayer.

27 (3) Supply information concerning any item contained in
28 a return or disclosed by the report of an examination or
29 investigation of the return of a taxpayer.

30 (b) Applicability.--Subsection (a) shall apply if the laws

of the United States or another state grant substantially
similar privileges to the proper officer of the Commonwealth
charged with the administration of this chapter.

§ 1534. Bonds.

(a) Taxpayer to file bond.--

(1) The department may require the following entities
subject to the tax to file a bond issued by a surety company
authorized to do business in this Commonwealth and approved
by the Insurance Commissioner as to solvency and
responsibility, in amounts the department may fix, to secure
the payment of any tax or penalties due or which may become
due if the department deems it necessary to protect the
revenues obtained under this chapter:

(i) A nonresident natural person.

(ii) A foreign corporation, association, fiduciary
or other entity not authorized to do business within this
Commonwealth or not having an established place of
business in this Commonwealth.

(2) The department may require a bond of a person
petitioning the department for reassessment in the case of an
assessment over \$500 or if, in the department's opinion, the
ultimate collection is in jeopardy.

(3) For a period of three years, the department may
require a bond of any person who has, on three or more
occasions within a 12-month period, either filed a return or
made payment to the department more than 30 days late.

(4) The following apply:

(i) If the department determines a taxpayer must
file a bond, the department shall give notice to the
taxpayer specifying the amount of the bond required.

1 (ii) The taxpayer shall file the bond within five
2 days after notice is given by the department unless,
3 within five days of receiving the notice, the taxpayer
4 requests in writing a hearing before the secretary or the
5 secretary's representative.

6 (iii) At the hearing under subparagraph (ii), the
7 necessity, propriety and amount of the bond shall be
8 determined by the secretary or the secretary's
9 representative.

10 (iv) The determination under subparagraph (iii)
11 shall be final and the taxpayer shall comply with the
12 determination within 15 days after notice is mailed to
13 the taxpayer.

14 (b) Securities in lieu of bond.--

15 (1) In lieu of the bond required under this section,
16 securities approved by the department or cash in a prescribed
17 amount may be deposited.

18 (2) The securities or cash shall be kept in the custody
19 of the department. The department may apply the securities or
20 cash to the tax and interest or penalties due without notice
21 to the depositor. The securities may be sold by the
22 department to pay the tax, interest or penalties, or any
23 combination of tax, interest or penalties, due at public or
24 private sale upon five days' written notice to the depositor.

25 (c) Failure to file bond.--

26 (1) The department may file a lien under section 1524
27 (relating to tax liens) against a taxpayer who fails to file
28 a bond when required to do so under this section.

29 (2) All funds received upon execution of the judgment on
30 the lien shall be refunded to the taxpayer with 3% interest,

if the department makes a final determination that the taxpayer does not owe any payment to the department.

SUBCHAPTER C

ACCOUNTS AND FUNDS

Sec.

1541. Natural Gas Severance Tax Account.

1542. Local Government Services Account.

1543. Keystone Strategic Economic Development Fund.

1544. Community Services Integration Fund.

1545. Emergency Addiction Treatment Fund.

1546. Keystone Transit Program.

1547. Clean Transit Program.

1548. Shale Alliance for Energy Research.

§ 1541. Natural Gas Severance Tax Account.

(a) Establishment.--The Natural Gas Severance Tax Account is established as a restricted account within the General Fund.

(b) Source of funds.--The proceeds of the tax and penalties and interest imposed under this chapter, less the amounts appropriated under Subchapter D (relating to transfer, distribution and allocation), shall be deposited into the account.

(c) Use.--The money in the account may only be used in accordance with Subchapter D.

(d) Nonlapse.--The money in the fund is continuously appropriated into the fund. This appropriation shall not lapse at the end of any fiscal year.

§ 1542. Local Government Services Account.

The Local Government Services Account is established as a restricted account within the General Fund.

§ 1543. Keystone Strategic Economic Development Fund.

1 (a) Establishment.--The Keystone Strategic Economic
2 Development Fund is established as a restricted fund within the
3 General Fund.

4 (b) Purposes.--The Department of Community and Economic
5 Development shall use the fund for the following purposes:

6 (1) Create and develop an Industry Partnerships for High
7 Performance and Innovation Program that parallels the
8 Industry Partnerships Program in the Department of Labor and
9 Industry. The program shall award grants on a competitive
10 basis and create a public-private advisory board that shall
11 provide criteria for the awarding of grants and general
12 guidance. Eligible applicants for funds shall include
13 industry associations, economic development organizations,
14 chambers of commerce, industry supply chain organizations and
15 labor-management groups. Priority for awards shall be given
16 to proposed projects which demonstrate the greatest potential
17 to create jobs, economic output, productivity and income in
18 this Commonwealth. A portion of the funding shall be provided
19 to initiatives which increase the spin-off benefits of
20 unconventional gas well drilling, including assisting
21 manufacturers and other businesses switch to natural gas and
22 assisting groups of manufacturers that want to jointly
23 develop new industrial or other uses for natural gas by-
24 products.

25 (2) To be used by the Partnership for Regional Economic
26 Performance Program in the Department of Community and
27 Economic Development to provide all of the following:

28 (i) Grants to consortia of economic development
29 service providers.

30 (ii) Funding for cost-effective infrastructure

1 improvement.

2 (3) To target assistance to the Marcellus Shale and
3 other unconventional gas producing regions for economic
4 diversification. This funding shall be used to promote
5 economic diversification in the regions of this Commonwealth
6 which produce natural gas from the Marcellus Shale and other
7 unconventional gas formations.

8 (c) Sources.--The following are the sources of the fund:

9 (1) Money transferred under section 1560(b) (relating to
10 Keystone Strategic Economic Development Fund deposit).

11 (2) Appropriations.

12 (3) Return on the money in the fund.

13 (d) Nonlapse.--The money in the fund is continuously
14 appropriated into the fund. This appropriation shall not lapse
15 at the end of any fiscal year.

16 § 1544. Community Services Integration Fund.

17 (a) Establishment.--The Community Services Integration Fund
18 is established as a restricted fund within the General Fund.

19 (b) Purposes.--

20 (1) The Department of Public Welfare shall use money in
21 the fund for the following purposes:

22 (i) To provide community services for adults with
23 intellectual disabilities who are considered to have
24 either an emergency need or critical need according to
25 the Prioritization of Urgency of Need for Service.

26 (ii) To supplant existing Commonwealth funds when:

27 (A) there are no adults with an emergency need
28 or critical need waiting for community services; and

29 (B) there are no adults living in an
30 intermediate care facility which is licensed to serve

1 more than four individuals who have not
2 affirmatively, in an informed manner, decided to
3 remain in such a facility.

4 (iii) To assist individuals living in the facilities
5 transition from the facility into a home with community
6 services.

7 (2) The fund shall not be used to support an individual
8 in a Commonwealth-operated or privately operated intermediate
9 care facility which is licensed to serve more than four
10 individuals.

11 (3) No more than 1.5% of the money under this subsection
12 shall be used for administration.

13 (c) Sources.--The following are the sources of the fund:

14 (1) Money deposited under section 1564(b) (relating to
15 Community Services Integration Fund).

16 (2) Appropriations.

17 (3) Return on money in the fund.

18 § 1545. Emergency Addiction Treatment Fund.

19 (a) Establishment.--The Emergency Addiction Treatment Fund
20 is established as a separate fund.

21 (b) Purposes and priorities.--

22 (1) The Department of Drug and Alcohol Programs shall
23 use the fund to assist individuals in need of:

24 (i) nonhospital, residential detoxification
25 addiction treatment;

26 (ii) short-term and long-term residential addiction
27 treatment; and

28 (iii) halfway houses for individuals who:

29 (A) are on waiting lists for treatment under
30 subparagraph (i) or (ii); or

1 (B) have no other coverage for treatment under
2 subparagraph (i) or (ii) for these services.

3 (2) Priorities are in the following order:

4 (i) Individuals under 18 years of age.

5 (ii) Pregnant women.

6 (iii) Postpartum women.

7 (iv) Mothers.

8 (v) Senior citizens.

9 (vi) Individuals addicted to prescription
10 medications.

11 (vii) Criminal justice offenders who are eligible
12 for diversion programs or involved in drug courts.

13 (c) Sources.--The following are the sources of the fund:

14 (1) Money deposited under section 1565(b) (relating to
15 Emergency Addiction Treatment Fund deposit).

16 (2) Appropriations.

17 (3) Return on the money in the fund.

18 \$ 1546. Keystone Transit Program.

19 (a) Establishment.--The Department of Environmental
20 Protection shall develop a program to fund competitive grants
21 and loans available to small mass transit authorities for all of
22 the following:

23 (1) Conversion of buses to run solely on compressed
24 natural gas as a fuel source.

25 (2) Purchase of buses which solely use natural gas as a
26 fuel source.

27 (b) Funding.--The program shall be funded under section
28 1562(c)(3) (relating to natural gas transportation and natural
29 gas refueling infrastructure investment).

30 \$ 1547. Clean Transit Program.

1 (a) Establishment.--The Department of Environmental
2 Protection shall develop a program to fund competitive grants
3 and loans available to large mass transit authorities for all of
4 the following:

5 (1) Conversion of buses to run solely on compressed
6 natural gas as a fuel source.

7 (2) Purchase of buses which solely use natural gas as a
8 fuel source.

9 (b) Funding.--

10 (1) The program shall be funded under section 1562
11 (c)(4) (relating to natural gas transportation and natural
12 gas refueling infrastructure investment).

13 (2) No more than 1.5% of the money under this subsection
14 shall be used for administration.

15 § 1548. Shale Alliance for Energy Research.

16 (a) Establishment.--The Shale Alliance for Energy Research
17 is comprised of The Pennsylvania State University, the
18 University of Pittsburgh and the Gas Technology Institute.

19 (b) Purposes.--The following are the purposes of the
20 alliance:

21 (1) Facilitate research to assist with the development,
22 demonstration and commercialization of technologies to
23 improve the environmental footprint and production
24 performance of Marcellus Shale and other unconventional gas
25 wells in this Commonwealth.

26 (2) Provide analysis, testing and education in a
27 collaborative and supporting format with:

28 (i) the academic community;

29 (ii) industry;

30 (iii) nonprofit organizations; and

- 1 (iv) Federal, State and local governments.
- 2 (c) Funding.--The alliance shall be funded under section
3 1563(b) (relating to Shale Alliance for Energy Research
4 deposit).
- 5 (d) Administration.--The Pennsylvania State University has
6 the following powers and duties to administer the alliance:
- 7 (1) Serve as the fiscal agent.
- 8 (2) Have ultimate accounting and financial reporting
9 duties.
- 10 (3) Have sole legal authority related to the
11 contracting, administering and expending of funds.
- 12 (4) Manage and support the daily operations of the
13 alliance.

14 SUBCHAPTER D

15 TRANSFER, DISTRIBUTION AND ALLOCATION

16 Sec.

17 1551. Transfers and distributions.

18 1552. Local Government Services Account transfers and
19 distributions.

20 1553. Affordable homes.

21 1554. Conservation districts.

22 1555. Environmental Stewardship Fund.

23 1556. Chesapeake Bay watershed programs in Department of
24 Environmental Protection.

25 1557. Hazardous Sites Cleanup Fund.

26 1558. Pennsylvania Fish and Boat Commission.

27 1559. Accountability Block Grants.

28 1560. Keystone Strategic Economic Development Fund deposit.

29 1561. Industry Partnerships Program.

30 1562. Natural gas transportation and natural gas refueling

1 infrastructure investment.
2 1563. Shale Alliance for Energy Research deposit.
3 1564. Community Services Integration Fund.
4 1565. Emergency Addiction Treatment Fund deposit.
5 1566. Human Services Development Fund.
6 1567. Behavioral Services Initiative.
7 1568. Homeowners Emergency Mortgage Assistance Program.
8 1569. Rape and domestic violence programs.
9 § 1551. Transfers and distributions.

10 On the last business day of each calendar month, the State
11 Treasurer shall make the transfers and distributions of the
12 money in the account as specified under this subchapter.

13 § 1552. Local Government Services Account transfers and
14 distributions.

15 (a) Transfer.--Twenty-five percent of the money in the
16 account shall be transferred to the Local Government Services
17 Account.

18 (b) Quarterly distributions from the Local Government
19 Services Account.--On the last business day of each period of
20 three calendar months, the State Treasurer shall make the
21 following distributions from the money in the Local Government
22 Services Account:

23 (1) Thirty percent to counties with producing sites to
24 be used at their discretion on eligible uses to address
25 problems and impacts associated with natural gas development.
26 Eligible uses shall include:

27 (i) Construction, repair and maintenance of roads,
28 bridges and other public infrastructure.

29 (ii) Water, storm water and sewer system
30 construction and repair.

1 (iii) Emergency response preparedness, training,
2 equipment and responder recruitment.

3 (iv) Preservation and reclamation of subsurface
4 water supplies.

5 (v) Records management, geographic information
6 systems and information technology.

7 (vi) Projects which increase the availability of
8 affordable housing for those residents whose income is
9 less than the median income of the county.

10 (vii) Delivery of social services, including
11 domestic relations, drug and alcohol addiction treatment,
12 job training and counseling.

13 (viii) Offsetting increased judicial system costs,
14 including training and processing.

15 (ix) County planning.

16 (x) Planning, acquisition, construction, repair or
17 rehabilitation of natural areas, conservation areas,
18 parks, recreational facilities, trails, greenways, river
19 corridors and conservation projects.

20 (1.1) The money under paragraph (1) shall be distributed
21 to each eligible county based on the following formula:

22 (i) Divide:

23 (A) the number of producing sites in the county;
24 by

25 (B) the total number of producing sites in all
26 counties of this Commonwealth.

27 (ii) Multiply:

28 (A) the quotient derived from subparagraph (i);
29 by

30 (B) the amount of money available for

1 distribution under paragraph (1).

2 (2) Forty-five percent to municipalities with producing
3 sites to be used at their discretion on eligible uses to
4 address problems or impacts associated with natural gas
5 development. Eligible uses shall include:

6 (i) Construction, repair and maintenance of roads,
7 bridges and other public infrastructure.

8 (ii) Water, storm water and sewer system
9 construction and repair.

10 (iii) Emergency response preparedness, training,
11 equipment and responder recruitment.

12 (iv) Preservation and reclamation of subsurface
13 water supplies.

14 (v) Records management, geographic information
15 systems and information technology.

16 (vi) Projects which increase the availability of
17 affordable housing for those residents whose income is
18 less than the median income of the county.

19 (vii) Delivery of social services, including
20 domestic relations, drug and alcohol addiction treatment,
21 job training and counseling.

22 (viii) Offsetting increased judicial system costs,
23 including training and processing.

24 (ix) Municipal planning.

25 (x) Planning, acquisition, construction, repair or
26 rehabilitation of natural areas, conservation areas,
27 parks, recreational facilities, trails, greenways, river
28 corridors and conservation projects.

29 (2.1) The money under paragraph (2) shall be distributed
30 to each eligible municipality based on the following formula:

1 (i) Divide:

2 (A) the number of producing sites in the
3 municipality; by

4 (B) the total number of producing sites in all
5 municipalities of this Commonwealth.

6 (ii) Multiply:

7 (A) the quotient derived from subparagraph (i);
8 by

9 (B) the amount of money available for
10 distribution under this paragraph.

11 (3) Fifteen percent to municipalities with no producing
12 sites located in a county with producing sites to be used at
13 their discretion on eligible uses to address problems and
14 impacts associated with natural gas development. Eligible
15 uses shall include:

16 (i) Construction, repair and maintenance of roads,
17 bridges and other public infrastructure.

18 (ii) Water, storm water and sewer system
19 construction and repair.

20 (iii) Emergency response preparedness, training,
21 equipment and responder recruitment.

22 (iv) Preservation and reclamation of subsurface
23 water supplies.

24 (v) Records management, geographic information
25 systems and information technology.

26 (vi) Projects which increase the availability of
27 affordable housing for those residents whose income is
28 less than the median income of the county.

29 (vii) Delivery of social services, including
30 domestic relations, drug and alcohol addiction treatment,

1 job training and counseling.

2 (viii) Offsetting increased judicial system costs,
3 including training and processing.

4 (ix) Municipal planning.

5 (x) Planning, acquisition, construction, repair or
6 rehabilitation of natural areas, conservation areas,
7 parks, recreational facilities, trails, greenways, river
8 corridors and conservation projects.

9 (3.1) The money under paragraph (3) shall be distributed
10 to each eligible municipality based on the following formula:

11 (i) Divide:

12 (A) the number of producing sites in the county;

13 by

14 (B) the total number of producing sites in all
15 counties in this Commonwealth.

16 (ii) Multiply:

17 (A) the quotient derived from subparagraph (i);

18 by

19 (B) the amount of money available for
20 distribution under this paragraph.

21 (4) Any funds not distributed by a county to its
22 municipalities shall be retained by the county to be used for
23 grants to municipalities to defer the cost of regional
24 cooperation endeavors undertaken by the municipalities within
25 the county.

26 (5) Ten percent to the Pennsylvania Emergency Management
27 Agency to be distributed to fire and ambulance services in
28 counties with producing sites in accordance with the
29 procedures established in 35 Pa.C.S. Ch. 78 (relating to
30 grants to volunteer fire companies and volunteer services).

1 (b.1) Applicability.--Only producing unconventional gas
2 wells on which the tax is levied during the three-month period
3 for which transfers and distributions are made shall be included
4 in any of the calculations made under subsection (b)(1), (1.1),
5 (2), (2.1) and (4) for that three-month period.

6 (c) Distributions to counties.--The following shall apply to
7 distributions to counties:

8 (1) The governing body of each county that receives
9 funds under subsection (b)(1) may expend the funds only by a
10 simple majority vote of all of the members of the governing
11 body.

12 (2) The following apply:

13 (i) Prior to February 1, 2013, and prior to each
14 February 1 thereafter, each county that receives funds
15 under subsection (b)(1) shall prepare and deliver a
16 report to the Governor, the Secretary of the Senate and
17 the Chief Clerk of the House of Representatives detailing
18 the expenditure of the funds.

19 (ii) The Department of Community and Economic
20 Development may audit a county's expenditure of the
21 funds.

22 (iii) A county that receives the funds shall make
23 its financial records and other documents relating to its
24 expenditure of the funds available to the department.

25 (d) Distributions to municipalities.--The following shall
26 apply to distributions to municipalities:

27 (1) Prior to February 1, 2013, and prior to each
28 February 1 thereafter, each municipality receiving
29 distributions under subsection (b)(2) or (3) shall prepare
30 and deliver a report to the Governor, the Secretary of the

1 Senate and the Chief Clerk of the House of Representatives
2 detailing the expenditure of funds.

3 (2) The following apply:

4 (i) The Department of Community and Economic
5 Development may audit a municipality's expenditure of the
6 funds.

7 (ii) A municipality that receives the funds shall
8 make financial records and other documents relating to
9 its expenditure of the funds available to the Department
10 of Community and Economic Development.

11 § 1553. Affordable homes.

12 (a) Scope.--Two percent of the money in the account shall be
13 allocated under this section.

14 (b) Optional affordable housing funding.--Forty percent of
15 the money subject to subsection (a) shall be allocated to
16 increasing the availability of affordable homes in counties with
17 producing sites in the following manner:

18 (1) The allocation to a county shall:

19 (i) except as set forth in subparagraph (ii), be
20 deposited into the county's optional affordable housing
21 fund; or

22 (ii) if the county does not have an optional county
23 affordable housing fund, be administered by the
24 Pennsylvania Housing Finance Agency under 53 Pa.C.S. Ch.
25 60 (relating to optional affordable housing funding).

26 (2) Prior to expending money received under this
27 subsection, a county must:

28 (i) develop a plan which takes into account the
29 impact of drilling on the housing market, both for sale
30 and rental; and

1 (ii) prioritize expenditures for people who have
2 been displaced as a result of changes in the market.

3 (c) Housing Affordability and Rehabilitation Enhancement
4 Fund.--Sixty percent of the money subject to subsection (a)
5 shall be deposited in the Housing Affordability and
6 Rehabilitation Enhancement Fund to increase the availability of
7 quality affordable homes, either for sale or rental, under
8 Article IV-D of the act of December 3, 1959 (P.L.1688, No.621),
9 known as the Housing Finance Agency Law. The agency, as
10 administrator of the fund, may use the appropriation to pay debt
11 service on a revenue bond, the proceeds of which shall be
12 deposited into the fund. The appropriation under this paragraph
13 shall be distributed as follows:

14 (1) Sixty percent of the money available under this
15 subsection shall be used to increase the availability of
16 quality affordable homes, either for sale or rental, in
17 counties with producing sites.

18 (2) Forty percent of the money available under this
19 subsection shall be used to increase the availability of
20 quality affordable homes, either for sale or rental, on a
21 Statewide basis.

22 § 1554. Conservation districts.

23 (a) Scope.--Two percent of the money in the account shall be
24 deposited under this section.

25 (b) Deposit.--The money subject to subsection (a) shall be
26 deposited in the Conservation District Fund to be distributed to
27 county conservation districts by the State Conservation
28 Commission. The money shall be distributed in accordance with
29 the following formula:

30 (1) Fifty percent of the money available under this

1 subsection shall be distributed by dividing the amount
2 equally among conservation districts for any use consistent
3 with the act of May 15, 1945 (P.L.547, No.217), known as the
4 Conservation District Law.

5 (2) Fifty percent of the money available under this
6 subsection shall be distributed in a manner consistent with
7 the Conservation District Law and 25 Pa. Code Ch. 83 Subch. B
8 (relating to Conservation District Fund Allocation Program-
9 Statement of Policy).

10 \$ 1555. Environmental Stewardship Fund.

11 (a) Initial.--Before July 1, 2015, 23% of the money in the
12 account shall be deposited in the Environmental Stewardship
13 Fund.

14 (b) Subsequent.--After June 30, 2015, 15% of the money in
15 the account shall be deposited in the fund.

16 \$ 1556. Chesapeake Bay watershed programs in Department of
17 Environmental Protection.

18 (a) Scope.--Two percent of the money in the account shall be
19 transferred under this section.

20 (b) Department of Environmental Protection.--

21 (1) The money subject to subsection (a) shall be
22 transferred to the Department of Environmental Protection to
23 provide funding for programs and projects which improve local
24 water quality in Pennsylvania's portion of the Chesapeake Bay
25 watershed as outlined in Pennsylvania's Chesapeake Watershed
26 Implementation Plan.

27 (2) The money subject to subsection (a) may be used in
28 coordination of existing resources to enhance the non-Federal
29 match requirement of Chesapeake Bay Implementation Grants for
30 projects that reduce nonpoint source nutrient and sediment

1 pollution.

2 § 1557. Hazardous Sites Cleanup Fund.

3 (a) Scope.--Eight percent of the money in the account shall
4 be deposited under this section.

5 (b) Deposit.--After June 30, 2015, the money subject to
6 subsection (a) shall be deposited in the the Hazardous Sites
7 Cleanup Fund.

8 § 1558. Pennsylvania Fish and Boat Commission.

9 (a) Scope.--Two percent of the money in the account shall be
10 transferred under this section.

11 (b) Transfer.--The money subject to subsection (a) shall be
12 transferred to the Pennsylvania Fish and Boat Commission.

13 § 1559. Accountability Block Grants.

14 (a) Scope.--Twelve percent of the money in the account shall
15 be transferred under this section.

16 (b) Transfer.--The money subject to subsection (a) shall be
17 transferred to the Department of Education for Accountability
18 Block Grants.

19 § 1560. Keystone Strategic Economic Development Fund deposit.

20 (a) Scope.--Five percent of money in the account shall be
21 transferred under this section.

22 (b) Transfer.--The money subject to subsection (a) shall be
23 transferred to the fund established in section 1543 (relating to
24 Keystone Strategic Economic Development Fund).

25 § 1561. Industry Partnerships Program.

26 (a) Scope.--Two percent of the money in the account shall be
27 transferred under this section.

28 (b) Transfer.--The money subject to subsection (a) shall be
29 transferred to the Department of Labor and Industry for the
30 Industry Partnerships Program.

1 \$ 1562. Natural gas transportation and natural gas refueling
2 infrastructure investment.

3 (a) Initial.--Before July 1, 2015, 4% of the money in the
4 account shall be allocated for natural gas transportation and
5 natural gas refueling infrastructure investment.

6 (b) Subsequent.--After June 30, 2015, 5% of the money in the
7 account shall be allocated for natural gas transportation and
8 natural gas refueling infrastructure investment.

9 (c) Distribution.--

10 (1) Thirty percent of the money subject to this section
11 shall be deposited in the General Fund for reimbursement by
12 the Secretary of the Budget for legislative tax exclusions
13 for natural gas vehicle fleets. Any portion of the amount
14 subject to this paragraph which is not used shall be
15 allocated to the other purposes provided for in section 1552
16 (relating to natural gas transportation and natural gas
17 refueling infrastructure investment).

18 (2) Twenty percent of the money subject to this section
19 shall be deposited in the General Fund for reimbursement by
20 the Secretary of the Budget for legislative tax exclusions
21 for natural gas corridor refueling stations. Any portion of
22 the amount subject to this paragraph which is not used shall
23 be allocated to the other purposes provided for in section
24 1552.

25 (3) Ten percent of the money subject to this section
26 shall be used for the program under section 1546 (relating to
27 Keystone Transit Program).

28 (4) Twenty percent of the money subject to this section
29 shall be used for the program under section 1547 (relating to
30 Clean Transit Program).

1 (5) Twenty percent of the money subject to this section
2 shall be deposited in the Alternative Fuels Incentive Fund
3 administered by the Department of Environmental Protection
4 for distribution as follows:

5 (i) Ten percent of the money subject to this
6 paragraph shall be used for grants to taxi companies and
7 operators for incremental costs associated with
8 purchasing dedicated compressed natural gas taxis.

9 (ii) Sixty-five percent of the money subject to this
10 paragraph shall be used for grants to provide funding for
11 incremental costs associated with purchasing dedicated
12 compressed natural gas vehicles with a gross vehicle
13 weight rating of 14,000 pounds or more. Grants shall be
14 made in the following order of priority:

15 (A) First to:

16 (I) school districts;

17 (II) municipal authorities; and

18 (III) municipalities;

19 (B) Second to:

20 (I) nonprofit associations registered in
21 this Commonwealth;

22 (II) corporations incorporated in this
23 Commonwealth;

24 (III) limited liability companies registered
25 in this Commonwealth; and

26 (IV) partnerships registered in this
27 Commonwealth.

28 (iii) Twenty-five percent of the money subject to
29 this paragraph shall be used to offset legislative
30 credits against the tax under Article III of the Tax

Reform Code for the purchase of bi-fuel vehicles.

§ 1563. Shale Alliance for Energy Research deposit.

(a) Scope.--One percent of the money in the account shall be allocated under this section.

(b) Allocation.--The money subject to subsection (a) shall be allocated through June 30, 2015, to the alliance under section 1548 (relating to Shale Alliance for Energy Research).

§ 1564. Community Services Integration Fund.

(a) Scope.--Five percent of the money in the account shall be deposited under this section.

(b) Deposit.--The money subject to subsection (a) shall be deposited in the fund under section 1554 (relating to conservation districts).

§ 1565. Emergency Addiction Treatment Fund deposit.

(a) Scope.--Six percent of the money in the account shall be deposited under this section.

(b) Deposit.--The money subject to subsection (a) shall be deposited in the fund under section 1545 (relating to Emergency Addiction Treatment Fund).

§ 1566. Human Services Development Fund.

(a) Scope.--Three percent of the money in the account shall be deposited under this section.

(b) Deposit.--The money subject to subsection (a) shall be deposited in the Human Services Development Fund in the Department of Welfare.

§ 1567. Behavioral Services Initiative.

(a) Scope.--Three percent of the money in the account shall be transferred under this section.

(b) Transfer.--The money subject to subsection (a) shall be transferred to the Behavioral Services Initiative in the

1 Department of Public Welfare to expand funding for this service.

2 § 1568. Homeowners Emergency Mortgage Assistance Program.

3 (a) Scope.--Two percent of the money in the account shall be
4 transferred under this section.

5 (b) Transfer.--The money subject to subsection (a) shall be
6 transferred to the Homeowners Emergency Mortgage Assistance
7 Program in the Pennsylvania Housing Finance Agency.

8 § 1569. Rape and domestic violence programs.

9 (a) Scope.--One percent of the money in the account shall be
10 transferred under this section.

11 (b) Transfer.--The money subject to subsection (a) shall be
12 transferred to the Department of Public Welfare for use for
13 victims of rape and domestic violence in accordance with section
14 2333 of the act of April 9, 1929 (P.L.177, No.175), known as The
15 Administrative Code of 1929.

16 Section 2. This act shall take effect in 90 days.