



Senate of Pennsylvania

Senator John T. Yudichak

14th Senatorial District

MEMO

To: *All Senators*
From: *Senator John Yudichak*
Date: *March 14, 2011*
Subject: *Introduction of Legislation on a Severance Tax for Natural Gas*

I am planning on introducing legislation that would implement a severance tax on the extraction of natural gas in Pennsylvania.

My goal is to initiate a fair and balanced severance tax in Pennsylvania. My proposal would generate revenue for local governments, our clean water infrastructure, and the Growing Greener program. At the same time, I believe the tax still allows the industry to expand and create the jobs and economic activity that we so desperately need.

In this legislation, the severance tax is phased in as follows:

- A severance tax of 2% of the gross value of the natural gas severed at the wellhead; this tax rate would be in place for the first three years of well production;
- When the well has been in production for more than three years, the tax rate increases to 5%;
- The tax rate would readjust back to 2% if the rate of production for a well fell below 150 MCF of natural gas per day and above 60 MCF per day;
- Wells that produce less than 60 MCF of natural gas per day are exempt from the tax.

If enacted, the tax would go into effect on July 1, 2011.

Revenue generated from the severance tax would be distributed for the following programs:

- 33% of the revenue generated to the Commonwealth Financing Authority for water supply, wastewater treatment, stormwater, and flood control projects;
- 33% to the Environmental Stewardship Fund;
- 34% to local governments in those areas of Pennsylvania that are experiencing the direct affects of natural gas drilling.

If you would like to cosponsor this legislation, please contact my office at 787-7105. Thank you for your consideration.