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MEMORANDUM

TO: All House Members

FROM: Representative Michael Hanna

DATE: May 7, 2012

SUBJECT: Marcellus Compact: Proposed legislation providing for a fair statewide impact fee on natural gas drillers in the Marcellus Shale

In the near future I will be introducing a bill to amend Act 13 of 2012, the Marcellus Shale law passed by the General Assembly and signed by Governor Tom Corbett in February. My bill, part of the House Democrats' Marcellus Compact legislative package, will impose a real and fair statewide impact fee to be collected by the Pennsylvania Department of Revenue.

My bill fixes Act 13 by providing tax fairness to Pennsylvanians through a reasonable statewide fee for drilling companies. Act 13 amended Title 58 (Oil and Gas) creating a county-optional impact fee. Under my proposal, the impact fee begins when an operator spuds the well and remains in effect for its entire producing life. The annual fee is dependent upon the price of gas during the production set in statute. The base fee begins at \$75,000 per well and decreases \$5,000 annually until Year 14, when the fee would remain at \$10,000 per well for the duration of production.

Under Act 13, oil and gas corporations will pay one of the lowest tax rates on drillers in the nation – An effective tax rate less than half the 3.07 percent working Pennsylvanians pay in state personal income taxes. My bill would ensure these huge, out-of-state drilling companies pay their fair share.

The Marcellus Compact is a six-bill legislative package that fixes the flawed, industry-friendly Marcellus Shale law, known as Act 13 of 2012. The Marcellus Compact is the House Democrats' promise to put the interests of Pennsylvania taxpayers, workers and families first – unlike Act 13, which is a sweetheart deal for the multi-billion-dollar oil and gas industry.

If you are interested in co-sponsoring this legislation, please contact my office by phone at 717-772-2283 or by contacting Gayle Jones at GJones@pahouse.net.