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THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 1315 Session of 2014

INTRODUCED BY ERICKSON, YUDICHAK, SCHWANK, GREENLEAF, HUGHES, TEPLITZ AND RAFFERTY, APRIL 2, 2014

REFERRED TO ENVIRONMENTAL RESOURCES AND ENERGY, APRIL 2, 2014

AN ACT

Amending Title 58 (Oil and Gas) of the Pennsylvania Consolidated Statutes, in unconventional gas well fee, further providing for expiration of provisions; and providing for the taxation of natural gas extraction in Pennsylvania.

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

Section 1. Section 2318 of Title 58 of the Pennsylvania Consolidated Statutes is repealed:

[§ 2318. Expiration.

(a) Notice.--The Secretary of the Commonwealth shall, upon the imposition of a severance tax on unconventional gas wells in this Commonwealth, submit for publication in the Pennsylvania Bulletin notice of the imposition.

(b) Date.--This chapter shall expire on the date of the publication of the notice under subsection (a).]

Section 2. Title 58 is amended by adding a part to read:

PART IV

TAXATION

Chapter

51. Natural Gas Severance Tax

CHAPTER 51

NATURAL GAS SEVERENCE TAX

Sec.

5101. Definitions.

5102. Imposition of tax.

5103. Return and payment.

§ 5101. Definitions.

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

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

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

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

"Producing site." A point of severance capable of producing natural gas in paying quantities.

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

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

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

"Severance." The extraction or other removal of natural gas from the soil or water of this Commonwealth.

"Severing." Extracting or otherwise removing natural gasfrom the soil or water of this Commonwealth.

"Unit." A thousand cubic feet of natural gas measured at the 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 the meters shall be determined by the continuous use of a recording thermometer installed to properly record the temperature of gas flowing through the meters. 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 annually by 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.

§ 5102. Imposition of tax.

(a) Establishment.--Beginning July 1, 2014, a natural gas severance tax shall be levied on every producer.

(b) Rate.--The tax shall be imposed at the rate of 4% of the gross value of the units severed at the wellhead during a reporting period.

§ 5103. Return and payment.

(a) Requirement.--Every producer shall file a return with the department, on a form prescribed by the department. The return shall include all of the following:

(1) The number of natural gas units severed by the producer for the reporting period.

(2) The number of producing sites used by the producer for the severance of natural gas in each county and municipality.

(3) The amount of tax due under section 5102 (relating to imposition of tax).

(b) Filing.--The return required by subsection (a) shall be filed with the department within 15 days following the end of a reporting period. The first return shall be due August 15, 2014.

(c) Deadline.--The tax imposed under section 5102 shall be due on the day the return is required to be filed and shall become delinquent if not remitted to the department by that date.

(d) Deposit.--The tax collected under section 5102 shall be deposited into the General Fund.

Section 3. This act shall take effect immediately.