
THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 1333 Session of
2014

INTRODUCED BY HUGHES, YUDICHAK, SCHWANK, BREWSTER, TARTAGLIONE,
FERLO, FARNESE, WASHINGTON, STACK, FONTANA, WILEY, BLAKE,
KITCHEN, DINNIMAN, SMITH AND LEACH, MAY 15, 2014

REFERRED TO ENVIRONMENTAL RESOURCES AND ENERGY, MAY 15, 2014

AN ACT

1 Amending Title 58 (Oil and Gas) of the Pennsylvania Consolidated
2 Statutes, in unconventional gas well fee, further providing
3 for expiration of provisions; providing for the taxation of
4 natural gas extraction in Pennsylvania; establishing the
5 Environmental Purpose and Economic Development Fund; and
6 making appropriations.

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

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10 Consolidated Statutes is repealed:

11 [§ 2318. Expiration.

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

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

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

19 PART IV
20 TAXATION

1 Chapter

2 51. Natural Gas Severance Tax

3 CHAPTER 51

4 NATURAL GAS SEVERANCE TAX

5 Sec.

6 5101. Definitions.

7 5102. Imposition of tax.

8 5103. Return and payment.

9 5104. Use of funds.

10 § 5101. Definitions.

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

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

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

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

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

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

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

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

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

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

8 "Unit." A thousand cubic feet of natural gas measured at the
9 wellhead at a temperature of 60 degrees Fahrenheit and an
10 absolute pressure of 14.73 pounds per square inch in accordance
11 with American Gas Association Standards and according to Boyle's
12 Law for the measurement of gas under varying pressures with
13 deviations as follows:

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

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

27 (3) The specific gravity of the gas shall be determined
28 annually by tests made by the use of an Edwards or Acme
29 gravity balance or at intervals as found necessary in
30 practice. Specific gravity determinations shall be used in

1 computing gas volumes.

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

11 § 5102. Imposition of tax.

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

14 (b) Rate.--The tax shall be imposed at the rate of 5% of the
15 gross value of the units severed at the wellhead during a
16 reporting period.

17 § 5103. Return and payment.

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

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

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

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

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

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

5 (d) Fund established.--There is established in the State
6 Treasury a fund to be known as the Environmental Purpose and
7 Economic Development Fund.

8 (e) Deposit.--The tax collected under section 5102 shall be
9 deposited into the Environmental Purpose and Economic
10 Development Fund.

11 § 5104. Use of funds.

12 Funds deposited under section 5103 (relating to return and
13 payment) are hereby appropriated as follows:

14 (1) The sum of \$150,000,000 is hereby appropriated
15 annually so that natural gas exploration, drilling and
16 production on lands owned by the Commonwealth is not
17 necessary.

18 (2) For economic development and job creation
19 initiatives, the sum of \$190,000,000 is hereby appropriated
20 for fiscal year 2014-2015, and the sum of \$250,000,000 is
21 hereby appropriated for fiscal year 2015-2016 and each fiscal
22 year thereafter.

23 (3) The remaining funds are hereby appropriated each
24 fiscal year to supplement the amount appropriated under the
25 General Appropriation Act for the basic education formula for
26 the fiscal year.

27 Section 3. This act shall take effect immediately.