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THE GENERAL ASSEMBLY OF PENNSYLVANIA

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SENATE BILL

No. 395 Session of  
2015

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INTRODUCED BY BREWSTER, TARTAGLIONE, FONTANA, HUGHES, BLAKE,  
COSTA, TEPLITZ AND FARNESE, FEBRUARY 5, 2015

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REFERRED TO ENVIRONMENTAL RESOURCES AND ENERGY, FEBRUARY 5, 2015

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AN ACT

1 Amending Title 58 (Oil and Gas) of the Pennsylvania Consolidated  
2 Statutes, in unconventional gas well fee, repealing  
3 provisions relating to expiration; providing for the  
4 Extraction for Education Tax; and establishing the Extraction  
5 for Education Fund.

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

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9 Consolidated Statutes is repealed:

10 [§ 2318. Expiration.

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

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

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

18 PART V

19 TAXATION

1 Chapter

2 51. Extraction for Education

3 CHAPTER 51

4 EXTRACTION FOR EDUCATION

5 Sec.

6 5101. Definitions.

7 5102. Imposition and adjustment of tax.

8 5103. Return and payment.

9 5104. Fund established, deposit and use.

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 the Report No. 3 of the Gas Measurement Committee of the  
7 American Gas Association or recommendations of the National  
8 Bureau of Standards or amendments to the report or  
9 recommendations. The results of the tests shall be used in  
10 computing the volume of gas delivered.

11 § 5102. Imposition and adjustment of tax.

12 (a) Establishment.--Beginning July 1, 2015, an Extraction  
13 for Education Tax shall be levied on every producer for the  
14 severance of natural gas.

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

18 (c) Adjustment.--

19 (1) Each producer shall receive a credit equal to the  
20 producer's total payment of the unconventional gas well fee  
21 imposed under Chapter 23 (relating to unconventional gas well  
22 fee) for the reporting period.

23 (2) Each producer may apply the credit received under  
24 paragraph (1) to offset the tax liability levied under  
25 subsection (b) for the reporting period.

26 § 5103. Return and payment.

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

30 (1) The number of natural gas units severed by the

1 producer for the reporting period.

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

5 (3) The amount of tax due under section 5102 (relating  
6 to imposition and adjustment of tax).

7 (4) The amount of the producer's total payment of the  
8 unconventional gas well fee imposed under Chapter 23  
9 (relating to unconventional gas well fee).

10 (5) The amount of the producer's payment of the  
11 unconventional gas well fee for each producing site for that  
12 reporting period.

13 (b) Filing.--The producer shall file the return required by  
14 subsection (a) within 15 days after the end of the reporting  
15 period. The first return shall be due August 15, 2015.

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

20 § 5104. Fund established, deposit and use.

21 (a) Fund established.--The Extraction for Education Fund is  
22 established in the State Treasury.

23 (b) Deposits.--The tax collected under section 5102  
24 (relating to imposition and adjustment of tax) shall be  
25 deposited into the Extraction for Education Fund.

26 (c) Use of funds.--The money deposited under subsection (b)  
27 shall be annually distributed to each school district in  
28 accordance with the following:

29 (1) The basic education formula under section 123 of the  
30 act of March 10, 1949 (P.L.30, No.14), known as the Public

1 School Code of 1949.

2 (2) If the basic education formula under section 123 of  
3 the Public School Code of 1949 is not enacted, the amount  
4 distributed to each school district shall be determined by:

5 (i) Dividing the sum of the amount of basic  
6 education funding that the school district received in  
7 school year 2009-2010 under section 1722-L of the act of  
8 April 9, 1929 (P.L.343, No.176), known as The Fiscal  
9 Code, by the total amount of basic education funding for  
10 school year 2009-2010; and

11 (ii) Multiplying the quotient from subparagraph (i)  
12 by the total amount of money in the Extraction for  
13 Education Fund.

14 Section 3. This act shall take effect immediately.