

June 14, 2023

To All Honorable Members of the Pennsylvania House of Representatives,

We are writing to express our opposition to House Resolution 131, P.N. 1402. We support balanced research that advances sound public policy objectives. However, aside from several inaccuracies in the resolution, as drafted, HR 131 directing the Legislative Budget and Finance Committee (LBFC) to study taxes on the industry is likely to produce skewed results and insufficient data with limited applicability.

First, resource extraction taxes vary significantly from state to state, and any comparison among them must consider factors beyond simple rates and include other components such as allowable deductions, gross or net applicability, and other taxes paid by the industry, to name a few. As HR 131 does not direct the LBFC to include these and other factors in its review, the results of this analysis would not provide a comprehensive and clear picture of the industry's tax contributions.

Moreover, we oppose any attempt to increase taxes on our industry that could render Pennsylvania's natural gas production less competitive to other basins across the country and around the world. Limited infrastructure in Appalachia to move natural gas produced here to markets where it is needed places significant downward pressure on Pennsylvania spot prices, forcing producers here to sell natural gas at a discounted rate that is often \$1 or more lower than prices in other regions of the country. Increasing the tax burden on producers here could make capital investment more attractive elsewhere, jeopardize thousands of jobs, and increase energy costs for our residents.

According to a [new analysis](#) conducted by PricewaterhouseCoopers, the natural gas and oil industry contributed over [\\$75 billion](#) toward Pennsylvania's gross domestic product (GDP), or 8.9 percent of the state's total, and fueled every sector of our economy in 2021. Beyond the billions of dollars injected into our state's economy, the industry supports 93,060 direct natural gas and oil jobs and 330,640 indirect jobs – from truck drivers to contractors and manufacturers – or 5.6 percent of Pennsylvania's total employment. To put this in perspective, the total number of jobs supported by industry in Pennsylvania is equal to four times the capacity of Penn State University's Beaver Stadium. The significance of this industry to Pennsylvania's economy is far too great to compromise.

Finally, in 2012, the General Assembly passed Act 13 establishing the Unconventional Gas Well Impact Fee. This unique fee is Pennsylvania's severance tax. Since its creation, this tax has more than \$2.4 billion and supported important environmental and infrastructure projects in each of our 67 counties. Additionally, our industry provides hundreds of millions of dollars in royalty income for the state, personal, and corporate income taxes; sales taxes; and a variety of other fees.

Again, while we support objective research to inform public policy, HR 131 as written makes assumptions regarding taxes and impact fee collections and oversimplifies comparing Pennsylvania's tax structures to those in other states. Consequently, the study could yield grossly inaccurate results that misrepresent the industry's tax contributions and economic impacts in Pennsylvania. As the second-largest producer of natural gas in the U.S., Pennsylvania's natural gas industry has generated billions of dollars in economic benefits – as well as billions in impact fee revenues for communities across the Commonwealth – and will continue to be a critical contributor to our state's economy.

Therefore, we strongly urge you to vote no on HR 131. Thank you for carefully considering the concerns raised here and representing the interests of your community.

Sincerely,

Pennsylvania Chamber of Business and Industry
API Pennsylvania
Associated Pennsylvania Constructors
Consumer Energy Alliance
General Contractors Association of Pennsylvania
Keystone Contractors Association
Manufacturer & Business Association
Marcellus Shale Coalition
National Federation of Independent Business
Pennsylvania Aggregates and Concrete Association
Pennsylvania Builders Association
Pennsylvania Independent Oil & Gas Association
Pennsylvania Manufacturers' Association
Pennsylvania Motor Truck Association
Pennsylvania Septage Management Association
Pennsylvania State Grange