



Plan Would Mark Significant Compromise on Severance Tax

*Pennsylvania Budget and Policy Center • 412 North 3rd Street, Harrisburg, PA 17101
717-255-7156 • www.pennbpc.org • October 12, 2010*

The severance tax plan offered by Governor Rendell and House Speaker Keith McCall today is a significant compromise that would reduce revenue for health care, education, local governments, and environmental cleanup by 40% from the plan the Governor earlier proposed.

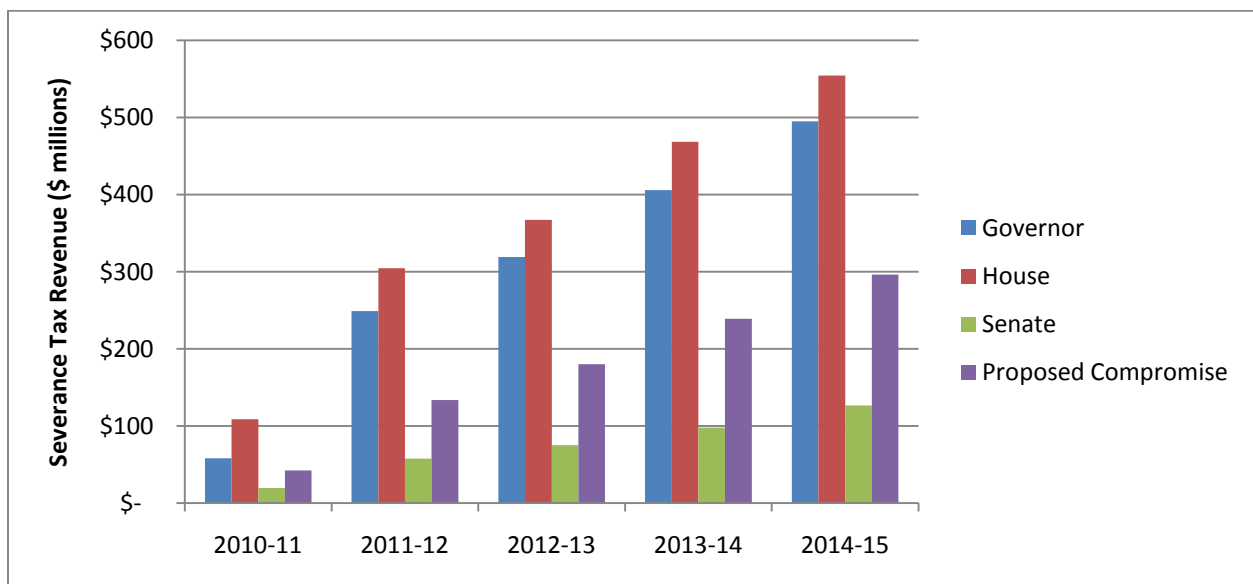
Still, Senate leaders rejected the compromise and have refused to budge from a plan that generates one-quarter of the dollars that the Governor's plan would raise.

The compromise plan would phase in the severance tax rate at 3% in the first year, 4% in the second year and the full 5% by year three. It would preserve an exemption for low-producing wells - those producing less than 60 thousand cubic feet (MCF) per day.

The Senate should keep its promise and enact a responsible severance tax. The people of Pennsylvania should be compensated for the loss of this resource, and gas producers should pay their fair share, like the rest of us. The Senate proposal, however, falls short of these basic goals.

Comparing Severance Tax Plans

Below is a graph showing how much revenue would be raised from the Governor's severance tax plan, the House-passed severance tax bill (SB1155), the Senate GOP plan and the proposed compromise.



A Significant Tax Break for Industry

Both the compromise severance tax plan and the Senate Republican plan would provide significant tax breaks to the natural gas industry.\

Revenue Generated from Severance Tax Plans (\$ in millions)					
	2010-11	2011-12	2012-13	2013-14	2014-15
Governor's Plan	\$ 58	\$ 249	\$ 319	\$ 406	\$ 495
House-passed Bill (SB1155)	\$ 109	\$ 305	\$ 367	\$ 468	\$ 554
Senate GOP Plan	\$ 19	\$ 58	\$ 75	\$ 98	\$ 127
Proposed Compromise	\$ 42	\$ 134	\$ 180	\$ 239	\$ 296

By the 2014-15 Fiscal Year, the compromise plan would raise 60% of what the Governor's plan would generate in revenue and 53% of what the House-passed bill would bring in. The Senate GOP plan would generate only 26% of the revenue raised by the Governor's plan and 23% of what the House plan would bring in.