To: The Honorable Gov. Tom Wolf and Members of the General Assembly

Re: Opposition to Severance Tax Proposal

Date: March 11, 2019

From:
Pennsylvania Chamber of Business and Industry
Associated Petroleum Industries of PA
Consumer Energy Alliance
Manufacturer & Business Association
Marcellus Shale Coalition
National Federation of Independent Business
Pennsylvania Aggregates and Concrete Association
Pennsylvania Builders Association
Pennsylvania Chemical Industry Council
Pennsylvania Forest Products Association
Pennsylvania Independent Oil & Gas Association
Pennsylvania Manufacturers' Association

With appropriations hearings having concluded, our diverse coalition of the state's leading business and trade associations again writes to oppose enactment of a severance tax – either as part of the 2019-20 fiscal year budget or as a separate proposal to fund the $4.5 billion borrow and spend "RestorePA" initiative. With state revenue collections above estimate due to the state's improving economy and federal tax reform yielding increased growth, there is simply no need to saddle Commonwealth consumers and businesses with higher energy taxes. Instead, we are continuing our collective call for lawmakers in Harrisburg to pursue pro-growth policies and fully realize the generational opportunity before us to transform Pennsylvania's economy through the use of the abundant natural resources.

The Department of Revenue announced in early February that General Fund collections were $290 million above estimate – and overall tax revenue had, through January, increased $957 million compared to the same period in the prior fiscal year. It is clear that Harrisburg is collecting enough revenue to pay its bills. At the same time, millions of Pennsylvania households are seeing higher take-home pay due to the growing economy, increased consumer spending and federal tax reform. We, as the leading representatives of the state's various business and industrial sectors, must then question why our energy industry has been singled out once again to pay for another punitive tax.

Many of the types of projects the "RestorePA" initiative seeks to fund are already being funded by existing state programs, including, notably, the impact fee assessed on natural gas wells that was implemented as part of Act 13 of 2012. To date, the impact fee has funded nearly $400 million of these types of projects – and, importantly, will continue to do so on an annual basis for years to come. Conversely, the "RestorePA" initiative only funds a few years' worth of projects and then saddles Pennsylvania with billions more in new debt to be paid off over decades.

The effective tax rate of the existing impact fee is competitive with that of other states' severance rates; a severance tax will diminish the potential that can be realized, as outlined in various economic reports, such as DCED's petrochemical facility potential analysis and the Forge the Future report. As businesses make investment decisions on where they choose to deploy capital, we must not put up unnecessary barriers to growth simply because some officials are advocating for more spending.

We encourage you to pursue growth economic policies that will leverage our energy assets and create more opportunities for all of Pennsylvania, and not stifle our economy with higher energy taxes. Thank you for your consideration of our coalition's position, and we ask for your continued support as you work towards finalizing the upcoming budget.