

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

Re: Oppose Enactment of Severance Tax for 2018-19 Budget

Date: March 12, 2018

From:

Pennsylvania Chamber of Business and Industry
Associated Pennsylvania Constructors
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

As you begin negotiations on the 2018-19 fiscal year budget, our diverse coalition of the state's leading business and trade associations again urges that the final budget and revenue package not include higher taxes on energy producers and users. The state's economy is improving; federal tax reform is yielding increased growth and revenue collections; and there are now, more than ever, multi-generational opportunities to transform Pennsylvania's economy through the use of its abundant natural resources. Let us not squander this with an additional energy tax on our economy.

Recently enacted federal tax reform is affording our state greater economic advantages to a level not seen in years, with take-home pay increasing for millions of Pennsylvania households and consumer spending and business investment on the rise. As a result, the state is seeing increased economic activity – and with it, higher than estimated revenue collections. The Department of Revenue recently announced that year-to-date General Fund collections are more than \$400 million above projections. The administration had previously estimated, in its mid-year budget briefing in December, that the state was on track to end with a budget surplus. We, as the leading representatives of the state's various business and industrial sectors, must then question why our energy industry must be singled out to pay another punitive tax.

Recent economic reports, such as the Forge the Future econometric study, the American Chemistry Council's Appalachian ethane storage study, and the joint Team PA and DCED petrochemical investment report note a combined tens of billions of dollars of investment and hundreds of thousands of additional jobs are in the wings should we pursue policies that allow the downstream use of natural gas and our other natural resources to flourish. 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 we realize through the facts outlined in these economic reports. As businesses make investment decisions on where they choose to deploy capital, we must not put up unnecessary barriers to growth simply because public sector unions are advocating for more spending.

We encourage you to pursue growth and prosperity 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.

