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Department of Revenue Analysis Goes Well Beyond Taxes Paid by Drillers

HARRISBURG, PA (May 3, 2011) — Sharon Ward, Director of the Pennsylvania Budget and Policy Center (PBPC), issued the following statement in response to a new analysis of the taxes paid by the natural gas industry from the Pennsylvania Department of Revenue:

The Department of Revenue's new analysis makes an apples to oranges comparison of the taxes paid by companies engaged in natural gas drilling.

It alters the definition of drilling companies from what was reported in the Governor's budget just two months ago. The definition was expanded to include companies that do not drill at all and would not be subject to a drilling tax, such as pipeline operators and suppliers of sand used in the fracking process. It also counts taxes paid by individuals and customers as taxes paid by the industry.

The Department's analysis obscures as much as it illuminates. The largest tax contributions in each category come from a group of taxpayers identified as "other," which is not defined. The analysis tells us how many pay taxes but not how many filers owed nothing in taxes, which is a departure from previous Revenue analyses. When pressed, the Department indicated that only 20% of corporate tax filers paid any corporate income tax in 2010, which is fairly consistent with 2008 Revenue data cited in a report we released last week.

It's also important to remember that the natural gas industry is thriving in states with robust drilling taxes and we would expect that to be the case in Pennsylvania too. According to World Oil Online, gas companies drilled more wells in West Virginia, which imposes a drilling tax, than they did in Pennsylvania last year. Credible studies and comments by industry analysts indicate that a tax will not deter development of the Marcellus Shale.

We welcome responsible drilling to the commonwealth, but believe that any analysis of the impact of a drilling tax should start with an understanding of the actual taxes paid by the companies that would be directly impacted.

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