

Pennsylvania House of Representatives Passes Resolution Directing Study of Oil and Gas Revenue

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On June 29, 2023, the Pennsylvania House of Representatives passed House Resolution 131, a resolution directing the Legislative Budget and Finance Committee (LBFC) to study the revenue of Pennsylvania's oil and natural gas industry. Since the enactment of Act 13 of 2012, producers in Pennsylvania have paid an impact fee based on production and pricing for unconventional gas wells. This differs from other states, including Texas, where producers pay a severance tax—a tax on the extraction of oil and natural gas.

The resolution, which was introduced by Representative Mandy Steele, directs the LBFC to conduct a study to determine the revenue Pennsylvania may have collected since the enactment of Act 13 if a severance tax had been implemented. The bill also directs the LBFC to report its findings and severance taxes, impact fees, or other oil or gas related taxes paid by producers in other states for natural gas production by June 2024.

The LBFC is a bipartisan legislative service agency consisting of 12 members of the General Assembly. The LBFC conducts studies and makes recommendations regarding the elimination of unnecessary expenditures, promotion of economy in government, and assurance that commonwealth expenditures are made in accordance with their legislative intent. The staff of the LBFC has experience in business administration, business analytics, economics, environmental science, public administration, law, and supply chain management. They have assisted the LBFC in a variety of public policy and state program areas, including emergency preparedness, community and economic development, education, environmental protection, game and fisheries, health and welfare, law enforcement, liquor control, local government, rural affairs, transportation, and veteran's affairs.

Proposals to levy a severance tax on oil and gas production have been common in recent years. Former Pennsylvania Governor Tom Wolf proposed a severance tax during each of his eight years in office. These efforts met significant opposition from Republican lawmakers and the oil and gas industry. Current Governor Josh Shapiro did not propose a severance tax during his campaign or in his current budget plan.

House Resolution 131 will be submitted to the Pennsylvania Senate for consideration. If the resolution passes, a report may be expected in the second quarter of 2024.

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