Pennsylvania GOP Policy Hearing

Waterford, Pennsylvania

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Balancing the budget on the back of the oil and gas industry has been a tool for politicians for decades. It first started back in 1919 in Oregon. By 1929, all states had imposed state tax on oil and gas products. The industry has paid taxes upon taxes. In the Commonwealth of Pennsylvania, it starts with fees (taxes) on permitting oil and gas wells. After the well is drilled, drilling and all other service companies are taxed on revenues. When the well starts to produce, an Impact Tax is applied to all oil and gas produced. Since its inception in 2012, the commonwealth has collected $2.72 Billion from the Impact Tax. After the product is refined, taxes are collected from the refinery also gas stations and stores selling the products. Current gas and diesel state taxes in the commonwealth are as follows: gasoline at 58.7* cents per gallon ($24.65 per barrel) and diesel at 75.2* cents per gallon ($31.58 per barrel). The United States federal excise tax on gasoline is 18.4 cents per gallon and 24.4 cents per gallon for diesel fuel. As of March 17, 2025, oil producers are paid $67.48 per barrel). Out of this price per barrel, producers pay landowners between 12.5% to 20% off the top, netting them between $59.05 and $53.98 respectively. Remember, the producers take 100% of the risk and the commonwealth collects, through fuel taxes, almost 50% of net price per barrel with absolutely 0% risk.

When you increase taxes on oil and gas, the following concerns should be taken into consideration.

Economic Competitiveness: Higher taxes could make Pennsylvania less attractive to oil and gas companies compared to other states with lower tax rates, potentially driving investment and jobs elsewhere.

Impact on Local Communities: The current impact fee system directs funds to local communities for infrastructure and public safety. A shift to higher taxes might reduce these direct benefits.

Industry Stability: The oil and gas industry in Pennsylvania has matured but remains sensitive to additional costs. Increased taxes could lead to reduced drilling activity and slower economic growth.

Revenue Uncertainty: While higher taxes might generate more state revenue, they could also discourage production, leading to a potential decline in overall tax income over time.

Consumer Costs: Increased taxes on oil and gas producers could be passed on to consumers in the form of higher energy prices, affecting households and businesses.

Ohio and West Virginia have acreage that will produce oil and gas that competes with Pennsylvania, so don't take the producers in Pennsylvania for granted. They will swiftly take their capital and move it to a state that is considerate of their financial needs. Unlike in the conventional well drilling days when mom and pop companies drilled and produced wells, almost all the companies drilling unconventional wells are public companies and they only look at what moves Wall Street. They really don't care if they lay off workers, close facilities, and move to a different area and drill and produce wells.

Other services are also affected by producers slowing down operations. This is noted by Halliburton's closing operations in Homer City, Pennsylvania in 2015, which affected 430 people. Halliburton moved into that facility in 1970. They moved the assets to Zanesville, Ohio where the state was business friendly, and they could service southwest Pennsylvania, West Virginia and Southern Ohio from there.

In 2017, Ohio's Republican Governor had proposed to increase taxes with a severance tax on oil and gas. Fortunately for the State of Ohio, the Republican controlled House voted down his proposal. This would have affected Ohio's well drilling activities, had the proposal been approved. This is not a Republican or Democrat issue. It is politicians making decisions that affect American citizens trying to make a living. Increasing taxes on oil and gas will decrease jobs, which will affect grocery stores, fuels, motels, factories, unions, farmers, and everything oil and gas touches. Instead of caping emissions, it would be more beneficial to increase the use of natural gas to drive down carbon issues in the atmosphere. In my opinion, higher taxes on Pennsylvania oil and gas and a cap on emissions will be very detrimental to the residences of the Commonwealth.

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Respectfully submitted,

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