

News

Yaw to introduce Marcellus legislation

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Bill would provide local funds to municipalities, school districts in Marcellus drilling areas

by **Chris Brady**

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Sen. Gene Yaw (R-23), who has taken an active role in monitoring the burgeoning Marcellus Shale industry, is prepared to present legislation that will provide local municipalities the funds many feel they are entitled to as the industry continues to blossom in the commonwealth.

Yaw's senatorial district includes the counties of Bradford, Sullivan, Susquehanna, Lycoming and Union.

For months, legislators have gone back and forth on the possibility of enacting a severance tax, something that most natural-gas producing states have, including West Virginia, Arkansas, Wyoming and Montana, to name but a few.

Getting money to the local municipalities, said Yaw, would be easier via the enactment of legislation that would allow gas wells to be assessed just as any other property would be.

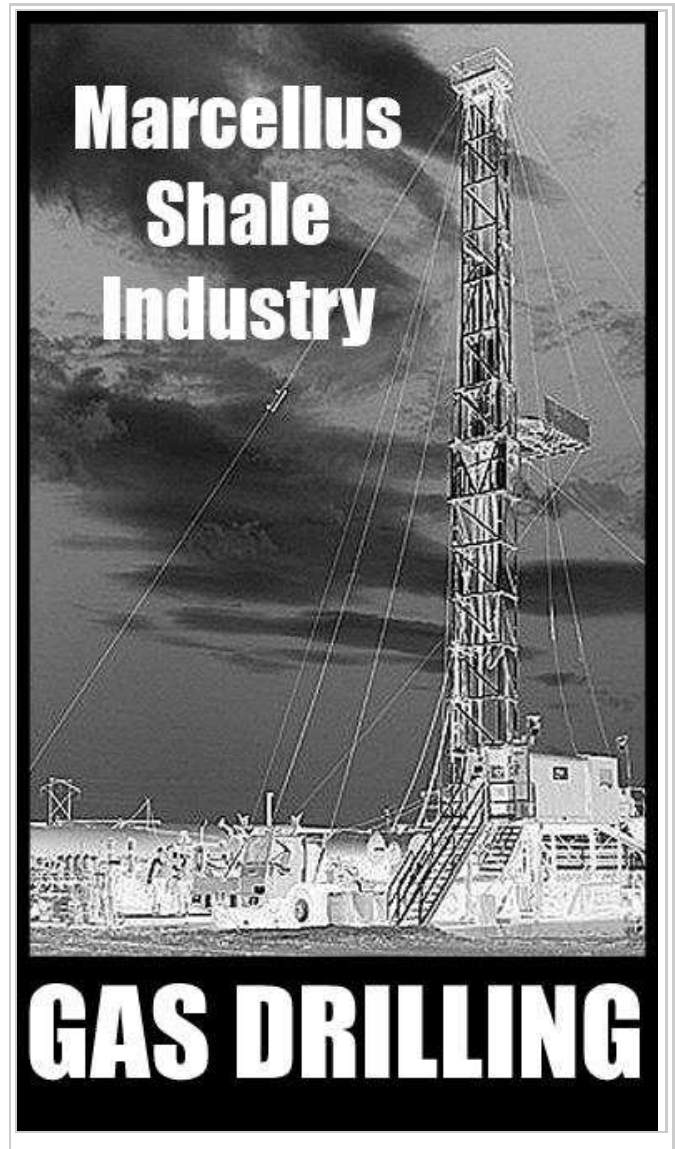
"A severance tax is just a way to buy off special interests," warned Yaw. "Two percent would go here, 2 percent there. Everyone wants a piece of it."

Especially those in Harrisburg, where Yaw said any funds derived from a severance tax would be dwindled until the local municipalities and school districts would be left with just a small percentage.

"When you have property assessed, the beneficiaries will be the local municipalities, the counties, the school districts," said Yaw. "The benefit of that is it is a local tax, collected locally. It doesn't go through Harrisburg."

Yaw's pending legislation would apply only to gas-producing wells.

If the concern is truly based in the areas where the industry is operating, this legislation will benefit those with legitimate concerns, Yaw said.



With a statewide severance tax — West Virginia's is 5.8 percent, Montana 7.9 percent, New Mexico 8.4 percent and Wyoming 10.2 percent — there would be too many hands in the pot, warned Yaw.

According to the Pennsylvania Budget and Policy Center, in 2008, Pennsylvania imported 74 percent of its natural gas from states with severance taxes, meaning Pennsylvanians paid taxes to states like Texas, Wyoming and Louisiana.

"I don't understand why gas companies should be singled out," said Yaw, referring to the issue of a severance tax. "If we want to change tax law, fine. Every piece of property you see is under one law. I don't see why gas property can't be as well.

"The beauty of (the proposed legislation) is it's a local collection system and it has already been in place. You won't need more people and it's just a normal part of the counties and municipalities."

Another aspect of the severance tax that gets little in the way of consideration on a wide scale is how it would stack up against other taxes. For instance, Yaw noted that Texas has a one percent corporate tax. Here in Pennsylvania, it's 9 percent.

The industry, too, has worked to improve the local areas in which they are operating, Yaw added. They've been good neighbors, he said.

"Chesapeake (Energy) has invested \$100 million in road construction in Bradford County over the last year," he said. "That's one-fifth what PennDOT has invested in the county.

"People will say, 'Yeah, but they're just doing that for their own good. Well, yeah, there's no question, but as long as everyone benefits, it's good for everyone. Talk to people in Bradford County. You'll hear, 'the roads have never been better.'"

Gov. Tom Corbett, sworn into office just this week, has repeatedly said that he will not support any severance tax on gas derived from Marcellus Shale.

Overall, Yaw said the industry is still in its infancy here in the commonwealth.

"The real growing part of this business is when the pipeline structure starts to develop," said Yaw. "We're just starting to see that in Lycoming County."

Additionally, the governor has said that he will open state lands to drilling as well.

Both of those topics will be explored further next week as the Standard Journal discussion with Yaw continues.

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