PennFuture
# Facts

PennFUTURE
Every environmental victory grows the economy

*A brief, interesting look at a topical environmental issue*

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## Pay your fair share

Pennsylvania's beloved Benjamin Franklin said it best. "In this world nothing can be said to be certain, except death and taxes." But Ben would be wrong today. He would have to amend his aphorism, adding "except for oil and gas drillers."

A look at the public records of some of the biggest Marcellus Shale drilling companies show that they escape paying most taxes, and we suspect they may be working on escaping death. Each year, ordinary Pennsylvania citizens get socked with a very large tax bill: their federal income tax. But the biggest Marcellus Shale drillers pay nothing or next to nothing in federal income taxes.

Here's what Range Resources said in its recent Securities and Exchange Commission (SEC) filing: "We are subject to state and federal income taxes, but are currently not in a tax-paying position for federal income taxes, primarily due to the current deductibility of intangible drilling costs (IDC)." The IDC tax credit allows Range and the other gas drillers to recoup almost the entire cost of developing a gas well in the same year they pay the costs. So you, dear taxpayer, are footing the bill for the cost of drilling gas wells into the Marcellus Shale.

Among the gas drillers, Range isn't even the best at avoiding taxes. According to *Business Week*, Chesapeake Energy receives the second highest amount of tax breaks of any company in the nation — over the past five years Chesapeake has paid a rate of 0.3 percent in taxes on billions of dollars of revenue.

The drillers whine that they are over taxed in Pennsylvania because our corporate income tax is so high. But there's a problem with that argument — hardly any of them pay it. They create subsidiaries structured to make them exempt from paying Pennsylvania's corporate income tax. At most, these companies pay the same personal income tax (3.07 percent) that ordinary Pennsylvanians do.

As discussions about enacting a severance tax on natural gas extraction get serious in Harrisburg, the gas drillers are stepping up to offer what they think would be a fair tax. They want to be exempt, or pay a much lower rate, on gas extracted during the first two to three years of production to recover the cost of drilling the wells. A report from the Pennsylvania Budget and Policy Center shows that the three-year exemption would allow the drillers to escape taxes on close to two-thirds of all the natural gas they get.

So let's get this straight — taxpayers already foot the bill to develop the gas wells, and gas drillers don't want to pay taxes on the most profitable period of the wells' production.

The gas drillers estimate that the Marcellus Shale deposit will be one of the two most profitable in the country. The natural gas in the Marcellus Shale is high quality and is close to the lucrative northeastern markets where gas suppliers get top dollar. Drilling here is like having a license to print money.

The Pennsylvania General Assembly should ensure that the drillers pay for the privilege of extracting our gas resource and to cover the costs of the damage drilling does to communities and the environment. A fair tax will not let drillers continue to shift the costs of developing the Marcellus gas to Pennsylvania families and small businesses.

Welcome to Pennsylvania, gas drillers, but play by our rules and pay your fair share.



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