

This document sets out concepts for a bill to address a specific issue: a state-level severance tax. This document was distributed to the Legislative Committee of the Marcellus Shale Advisory Commission for discussion. This draft is for discussion purposes only and does not necessarily represent the positions of the O'Malley Administration, any Department of the Administration, or the members of the Advisory Commission.

State-level severance tax on natural gas

1. Adopt a state-level severance tax of ___% of the gross value received for the gas at the wellhead in an arms-length transaction.
2. The tax shall not be levied on natural gas:
 - a. used for domestic or agricultural purposes on the real property from which the gas is produced;
 - b. produced from a well that is producing small amounts of gas [to be defined -- perhaps 5,000 cubic feet of gas per day as a monthly average]; or
 - c. withdrawn from a storage well.
3. The person that holds the gas well permit is responsible for the obligations to keep the required records, file the required reports and pay the tax.
4. The Comptroller shall collect the tax. Except for an amount necessary to administer the natural gas severance tax, the proceeds shall be deposited in an account, the Natural Gas Impact Account, within the Department of the Environment's Oil and Gas Fund.
5. The Natural Gas Impact Account shall be a special, nonlapsing fund that shall not revert to the general fund. It is the intent of the General Assembly that the balance of the account not be transferred by an act of the General Assembly.
6. The Natural Gas Impact Account shall be used by the Department of the Environment
 - a. to monitor for, mitigate and remediate adverse impacts of gas exploration and production on the environment, natural resources and infrastructure in those areas of the state where natural gas is produced that cannot be shown to be caused by a specific person or persons that can be held liable;
 - b. to remediate or mitigate adverse impacts of gas exploration and production that require immediate action to protect public health or safety, the environment, or natural resources that are not corrected in a timely manner in accordance with the state law or any rule, regulation, permit, or order issued under that law; or
 - c. to provide funding to any other state agency for the purposes set forth in subparagraphs (a) and (b) of this paragraph.

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7. If money is used for the purpose set forth in 6.b, the Department of the Environment shall be authorized to recover its costs in a civil action from a person that is responsible for correcting the negative impact from gas exploration and production in the state.
8. If, at any time, the balance in the Natural Gas Impact Account is at least \$15,000,000, any amount above \$15,000,000 may be used by the Department of the Environment for projects that benefit the areas of the state where natural gas is produced.