

# MARCELLUS SHALE DRILLING SUPPORT PARTNERSHIP OIL & GAS TAX CREDIT OUTLINE



Oil & Gas Community Development Tax Credits would be enacted as part of any proposal which would levy an extraction or severance tax on oil and gas companies in the Commonwealth of Pennsylvania.

The proposed tax credit would be a cumulative credit relating to three primary functions:

1. Construction or reconstruction and development of Railroad Trans-load Yards which would be designed to move heavy freight loads to rail versus highway.
2. Construction and or reconstruction of designated highway corridors in cooperation and in coordination with local communities and PennDOT.
3. Construction of water treatment and/or water recycling centers or the construction of water resource center which would not deplete local water tables.

Projects would need to be certified by PennDOT and/or DEP as meeting design specifications for quantity and/or weight of vehicles utilizing the respective facilities. Need statutory provision enacted with tax for above provisions in addition to a provision that timely approval of applications to construct the needed infrastructure would not be withheld without reason.

The suggested credit amount would be 50% of capital monies invested in such highway, pipeline, railroad and/or treatment facilities. The total credit allowed to each taxpayer could not exceed 75% of the tax liability otherwise due.

Construction plans would be required to be filed with impacted community governments with a strong suggestion that a memorandum of understanding should be required so as to coordinate projects with improvements already approved by the local community and/or the Commonwealth.

The Department of Revenue would be charged with coordinating credits with annual tax returns for the severance and/or extraction tax and all credits would be subject to audit.

Oil and Gas Industry would be required to meet with DEP and Department of Transportation to determine reasonable cost guidelines on a unit basis to be used in calculating the amount of credit which could be claimed in relation to any one project. The claimed tax credit could not exceed the above guideline unless unusual circumstances required consideration of a greater credit.

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Construction and operation of the infrastructure subject to the provisions of the enacting statute could be performed by a private third party. Commonwealth matching funds could be requested but the tax credit would be applicable to only the taxpayer dollars invested in the infrastructure. The tax credits would not extend to operational costs but would apply to capital maintenance costs such as installation of safety equipment, snow removal, weatherization type components, additional safety tests and/or industry recommended safety performance audits and practices.

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