**House Bill 542 PN 2259 – Tax Code (Passed State Senate 26-24)**

Note:

* 13 of 34 (38%) provisions impact environmental or energy concerns in some fashion
* A severability clause is contained at the end of the bill that dictates that if the severance tax, third party permit program, or Air Permit Advisory Council are voided individually, all of the provisions are deemed void

1. **Makes Permanent the Wild Resource Contribution Check Off**
   * Page 13, Line 7 (Section 315.3)
   * Check off provides an option on state income tax forms to contribute to the Wild Resource Conservation Fund
   * The Fund is set to expire on January 1, 2018
   * Created in 1982, the Fund supports DCNR’s Wild Resource Conservation program, which provides grants for research, conservation, and education support to preserve biodiversity
   * License plate sales and the income tax check-off typically provide roughly $100,000 in revenue per year
   * DCNR has made between $100 - $150 thousand in grants per year
2. **Creates the Manufacturing Innovation and Reinvestment Deduction**
   * Page 16, Line 24 through Page 19, Line 24
   * Provides a 5 percent per year tax deduction of the private capital investment utilized to create new or refurbished manufacturing capacity
   * Tax deduction available for up to five years for the company
   * Qualified manufacturing is defined as the mechanical, physical, biological, or chemical transformation of materials, substances or components into new products that creations of new items of tangible personal property for sale
   * Total investment in manufacturing must exceed $100 million to be eligible for deduction
   * Has the potential to impact large scale energy-related projects
3. **Levies a Gross Receipts Tax on Natural Gas Supply and Distribution**
   * Page 19, Line 25 through Page 25, Line 24 (rate set on Page 25, Line 10-11)
   * Pennsylvania eliminated the natural gas exemption from the gross receipts tax in 2000 as part of broader tax reform
   * This provision levies a 5.7 percent gross receipts tax on natural gas supply and distribution bills, which will be passed on to consumer
4. **Increases Gross Receipts Tax on Electricity Bills**
   * Page 19, Line 25 through Page 25, Line 24 (rate set on Page 25, Line 8-9)
   * Sets the gross receipts tax on electricity bills to 6.5 percent, an increase of 0.5 percentage point
5. **Creates a Natural Gas Optimization Fund**
   * Page 26, Line 4 through Line 9
   * Annually transfers $20 million from the natural gas gross receipts tax revenue dedicated to the General Fund to the newly created Natural Gas Optimization Fund
6. **Creates the Natural Gas Optimization Program at the PUC**
   * Page 26, Line 18 through Page 29, Line 24
   * Using the funds from the Natural Gas Optimization Fund, this program would spend $20 million per year on a competitive grant program for projects that:
     1. Plan to expand access to natural gas infrastructure
     2. Plan to expand access to natural gas in residential areas
     3. Plan to accelerate rate of construction or replacement of natural gas infrastructure
     4. Plan to promote the use of natural gas in residential areas
     5. Plan to provide rebates or buy down expenditures to reduce the upfront costs associated with connecting to a natural gas line, in-house piping, or high efficiency natural gas furnaces
   * Projects are reviewed and considered on the following:
     1. Economic impact
     2. Number of new end users that will gain access to natural gas
     3. Extent to which natural gas is extended to unserved or underserved areas
     4. Projected costs
     5. Source and amount of funds contributed by applying company
     6. Any other relevant factors determined by the PUC
   * Grant program administered by the PUC
   * Allows for no more than 2 percent ($200,000) of annual transfer be used for administrative costs
   * The PUC must report on the program every October
7. **Transfers Natural Gas Gross Receipts Tax Revenue to the Low-Income Home Energy Assistance Program (LIHEAP)**
   * Page 26, Line 10 through Line 17
   * Annually transfers $20 million of the natural gas gross receipts tax revenue dedicated to the General Fund to the Low-Income Home Energy Assistance program at the Department of Human Services
8. **Levies an Electric Grid Virtual Financial Transactions Tax (PJM tax)**
   * Page 57, Line 19 through Page 59, Line 18
   * Levies a 5 percent tax on the gross transaction amount administered by PJM
   * An electric grid virtual financial transaction is defined as a decrement transaction, an increment transaction, or an up-to-congestion transaction
     1. Up-to-congestion transaction is defined as a virtual transaction on clear bids based on the difference in the locational marginal prices between two points.
     2. A decrement virtual transaction is defined as a transaction for a cleared hourly build (in megawatt hours) to purchase energy at a specified location in the day-ahead energy market
9. **Levies a Fee on Car Sharing Rentals**
   * Page 59, Line 19 through Page 60, Line 20
   * Levies a fee structure for car sharing rentals:
     1. $0.25 for rentals less than 2 hours
     2. $0.50 for rentals between 2 and 3 hours
     3. $1.25 for rentals between 3 and 4 hours
     4. $2.00 for rentals greater than 4 hours
   * Car sharing is defined as a membership based service that provides an alternative to personal car ownership, including:
     1. Does not require a trip specific written agreement
     2. Does not require an attendance at the beginning or end of a rental
     3. Offers members access to a dispersed network of shared vehicles 365 days a year
     4. Allows vehicles to be rented per minute, hour, day, or trip
   * This could disincentive the use of car sharing and increase car ownership
10. **Levies a Severance Tax on Unconventional Oil and Natural Gas Production**
    * Page 72, Line 23 through Page 78, Line 24
    * Levies a severance tax per MCF tied to the average annual price of natural gas from the previous calendar year:
      1. $0.015/mcf if price of natural gas less than $2.25
      2. $0.02/mcf if price of natural gas between $2.25 and $3.00
      3. $0.025/mcf if the price of natural gas between $2.99 and $5.00
      4. $0.03/mcf if the price of natural gas between $4.99 and $6.00
      5. $0.035/mcf if the price of natural gas greater than $5.99
    * Effective 60 days after passage and Administered by the PUC
11. **Creates the Air Quality Permit Advisory Committee to Assess New Source Methane General Permits**
    * Page 78, Line 25 through Page 81, Line 13
    * Requires that the DEP cannot submit the GP-5/GP-5A permits until after December 31, 2017
    * Creates the Air Quality Permit Advisory Committee
      1. Composition of the Committee includes:
         1. 1 member appointed by the Governor
         2. 1 member appointed by the President of the Senate
         3. 1 member appointed by the Majority Leader of the Senate
         4. 1 member appointed by the Minority Leader of the Senate
         5. 1 member appointed by the Speaker of the House
         6. 1 member appointed by the Majority Leader of the House
         7. 1 member appointed by the Minority Leader of the House
      2. Appointments will be made to the Advisory Committee within 60 days of passage
    * Within 14 legislative days following publication of the proposed final permits, the Advisory Committee shall consider each permit and vote to approve or reject:
      1. If a majority of the Advisory Committee votes to disapprove the proposed final permit:
         1. DEP revises the proposed final permit
         2. DEP reviews and considers the reasons for disapproval and modifies the proposed final permit
         3. And DEP resubmits the new version of the proposed final permit to the Advisory Committee within 14 legislative days
      2. If a majority of the Advisory Committee votes to approve the proposed final permit:
         1. DEP submits the approved permit to the LRB for publication
         2. The permit takes effect upon publication if the PA Bulletin
    * Limits GP-5/GP-5A permits applicability to:
      1. Natural gas well sites that have commenced production prior to the date of publication after Advisory Committee Approval
      2. Temporary activity
    * Under current circumstances, the vote would be 4-3 to reject the GP-5/GP-5A general permits
12. **Creates a Third Party Permit Review Program at DEP**
    * Page 81, Line 14 through Page 84, Line 19
    * Within 30 days of the enactment of the provision, DEP must review the previous calendar year worth of permit decisions and permit decision delays and report on their findings to the General Assembly
    * Within 1 year of passage of the legislation, DEP shall establish and implement a Third Party Review Permit Program
      1. That applies to all permits required to comply with statutes and regulations administered by the DEP
      2. Within 1 year of establishing the permit program, DEP must transfer all information regarding permit decision and delays
      3. The program – and the third party reviewers – will be funded by permit fees collected by DEP
      4. A third-party reviewer will be recognized as an agent of the Commonwealth
         1. Defines a Licensed Professional as an individual licensed by the Commonwealth as a professional landscape architect, engineer, land surveyor, or geologist
      5. A permit applicant (company) can select the third party licensed official contracted by DEP as part of the program to review the permit application if there is a permit decision delay
    * Permit decision delay is defined as:
      1. The time period specified by statute or regulation or by the relevant time period established under the permit decision guarantee program
      2. Or 30 days after the submission of a permit application or request for plan approval or other authorization when no time period is specified by statute
    * DEP must issue a report to the legislature once a year on:
      1. The number of permit applications received
      2. The number of permit applications reviewed by the DEP vs. third party officials
      3. The average time frame for permit decisions by the DEP vs. third party officials
      4. The number and average workload of third party licensed professionals that DEP has contracted with
      5. The number and average workload of staff members at DEP that review permit applications organized by regional office
13. **Guarantees DEP Unconventional Oil and Gas Permit Approval**
    * Page 77, Line 23 through Page 78, Line 24 (Buried in the text for the severance tax)
    * Any unconventional oil and gas development permit that has not been denied within the applicable DEP review time is deemed approved
    * If the permit review period has been extended for cause, DEP must refund the permit application fee
    * If DEP notifies the permit applicant of deficiencies with the application, the time between receipt of the deficiencies and receipt of the applicant’s response is tolled toward the review time period. Two tolling periods are allowed
    * DEP permit review time periods are defined as:
      1. Well permits: 45 calendar days or 60 calendar days, if extended for cause
      2. General air quality permit: 30 calendar days
      3. Earth disturbance permit: 53 business days or 24 business days for an expedited application