

NOTE: "...who should have lower taxes — out-of-state oil companies or Ohio families?"



Wednesday, March 13, 2013

Support the fracking tax: editorial

Severance-tax plan would help all without harming competitiveness

For all the work Ohio leaders are doing to attract economic development to the state, one of the biggest opportunities for job creation already is here, underfoot.

Members of the legislature should work with Gov. John Kasich to implement a reasonable and fair tax on oil and natural-gas extraction to help ensure that development of the state's natural resources benefits all Ohioans rather than simply enriching out-of-state drillers.

New technology now allows the extraction of oil and gas from the state's vast shale deposits, and the drilling boom has just begun. Across the country, the process of hydraulic fracturing, aka fracking, has created booms in formerly moribund areas in North Dakota and other states.

Domestic oil production has reached its highest level in 20 years, and the cost of natural gas is at its lowest level in decades.

Drilling in Ohio's shale-gas deposits already has created an estimated 2,400 to 2,600 jobs, according to Mark Partridge, a professor and researcher at Ohio State University and managing editor of the *Journal of Regional Science*. Though he thinks industry-backed estimates of some 200,000 new jobs in Ohio are too aggressive, he believes 20,000 is a reasonable number to expect within the next three years, as more wells come online and new transportation and support services develop around the business.

For example, two companies have just announced a joint venture to build a pipeline linking Ohio's Utica and Marcellus shale regions via pipeline to processing and storage facilities in Louisiana. Meanwhile, Crosstex Energy is partnering with another company to invest \$50 million in building two compressor-station facilities in eastern Ohio that will move shale oil and gas to chemical plants and other customers.

The fact that private-sector companies are going forward with multi-million-dollar investments shows that they're confident there is money to be made regardless of whether Ohio passes the modest severance taxes that Kasich seeks. Under the governor's plan, high-volume drillers using fracking technology would pay severance taxes of about 4 percent of sales after drillers recoup their upfront costs; until then, the tax would start at 1.5 percent and grow gradually. Dry natural gas would be taxed at just 1 percent of sales.

The money generated would not be used to grow government, but to give all Ohioans an income-tax break. For this reason, the influential conservative group Americans for Tax Reform has endorsed the proposal.

Editorial continued here: <http://www.dispatch.com/content/stories/editorials/2013/03/13/support-the-fracking-tax.html>

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