

Barger, Brad

From: LouBlessing [REDACTED]
Sent: Thursday, January 26, 2012 7:58 AM
To: Barger, Brad
Subject: Fwd: Fracking tax | The Columbus Dispatch
Attachments: NaturalGasSeveranceTax021009.pdf

Brad:

Huffman and I talked at length with Governor yesterday about this very subject. As a former Ways and Means Chairman, I can tell you this gets complicated, but we can do this in a way that benefits everyone.

From: LouBlessing [REDACTED]
To: chad.hawley [REDACTED], MCH@540westmarket.com, bsears [REDACTED], adamshd78 [REDACTED], grossman4 [REDACTED], ron [REDACTED]
CC: troy.judy [REDACTED], dittoem [REDACTED], baker_dan2002 [REDACTED]
Sent: 1/22/2012 12:35:45 P.M. Eastern Standard Time
Subj: Re: Fracking tax | The Columbus Dispatch

We will need to discuss this in caucus, most likely at length. The Dems are surely looking to vote "no" and run the "tax raiser" ads. We should tie this in with an income tax reduction, which is something the Governor (and the Majority Whip) has proposed.

Attached is a table of severance taxes imposed by other states. Ohio is on the very low side. We could impose whatever it reasonably takes to reimburse the locals and the state for additional costs associated with the increased drilling, or we could make it a little higher and reduce the income tax. Even making it a little higher may not be necessary. We need a solid estimate on what this drilling and all the associated new taxpayers will produce for Ohio in the way of income and sales taxes. In any event, we should do an in depth study.

How the tax is structured is almost as important as the amount of the tax. The volume of this production could well drive the price of natural gas down to the point where it's not economic to drill. We don't want to be taxing an activity which is close to break even (or worse). If the tax were based upon the value of the natural gas, we could exempt out the initial cost to produce the gas and give some relief to the drillers when the cost of their product is low. In fact, natural gas prices are at a ten year low. If they stay there, not much drilling will occur in Ohio.

These spot prices closed at \$2.49/MMBtu last week. We don't want to be taxing folks at that level. So, we could, for example, structure a tax on the "excess value" of the natural gas. Something like 10% of the value of the extracted gas in excess of some benchmark, say \$2.50/MMBtu. That way we aren't taxing these companies when they aren't making any money. This gets really complicated, which is another reason to do some serious study.

In fact there is no reason we need to do this before the lame duck session.

In a message dated 1/22/2012 11:28:47 A.M. Eastern Standard Time, chad.hawley@gmail.com writes:

<http://www.dispatch.com/content/stories/editorials/2012/01/22/fracking-tax.html>

Fracking tax

Sunday January 22, 2012 7:14 AM