

Danby Town Board
Resolution for Consideration
April 09, 2012

RESOLUTION REGARDING THE TAXATION OF NATURAL GAS EXTRACTED IN NEW YORK STATE

Whereas New York State is preparing to permit the process of extracting natural gas from the Marcellus Shale areas in our region in the near future, and

Whereas local governments have already incurred expenses in preparation for the extraction natural gas and will incur further expenses such repair of roads, higher social service costs, emergency services, etc., when this industry comes to town and before any *ad valorem* revenue is received, and

Whereas the Town of Danby has already spent more than \$33,700 and many hours of time developing and adopting local laws to protect its residents, roads, aquifer, and infrastructure, and is considering more legislation in the coming year to protect the town regarding the impacts of natural gas extraction in this town and surrounding towns, and

Whereas, *ad valorem* tax on production is the only revenue source for local governments to offset the cost of incorporating the gas extraction industry into its community, and

Whereas, *ad valorem* tax on production is not a revenue source for a municipality adjacent to one that has gas extraction, yet the adjacent community will also incur impacts and expenses from the gas extraction industry, and

Whereas, the State and local process for levying the *ad valorem* tax on gas production has a built in delay of a minimum of 3 years (year 1 gas is produced but not reported until year 2 when it is added to assessment role for year 3 when the gas producers are sent tax bills for year 1's production) between the time that the gas is extracted (not the well pad constructed, well drilled and pipelines connected) and the year the local government will receive revenue which means that under the current system, taxpayer will need to pay for the impacts of this industry on the local government and community before any revenue is received to offset those costs, and

Whereas, other states that have hosted the gas and oil extraction industry for many years have a blend of fees and several taxes including *ad valorem* and severance to cover expenses to governments as they are incurred and not saddle the civil society with this burden, and

Whereas the calculation for Unit Production Value (UPV) in determining assessment of natural gas in New York State has not been completed for tight shale gas deposits like Marcellus so any planning for *ad valorem* revenue from gas extraction is impossible yet the prospect for impact is imminent, and

Whereas, the yet undetermined UPV is multiplied by self-reported gas production to determine the assessed value of given well, and

Whereas, there is no independent oversight of the gas meter's accuracy, its installation, or its reading of extracted natural gas (self-reporting by the energy companies) which is an affront to the assessment process used for all other taxable properties within our County,

Therefore, Be It

Resolved that the Town of Danby strongly urges the Governor and the New York State Legislature to develop a blend of revenue streams through fees and other taxation of natural gas extraction to provide funds for state and local governments when expenses are incurred, and

Further resolved, that the Town of Danby urges the Governor to direct the Office of Taxation and Finance to establish, through an open and transparent process, the Unit Production Value for assessment of shale natural gas like Marcellus, and

Further resolved that the Town of Danby demands that the Governor and the New York State Legislature establish an accurate, transparent, and verifiable method of measuring and reporting shale gas production.