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News Release

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Natural Gas Liquids Tax Incentive Could Bring More Development and Jobs

Fewer West Virginians Employed Now Than Before the Shale Boom

(*Charleston, WV*) While West Virginia's natural gas industry has grown exponentially, many of its jobs may be going to out-of-state workers and job growth in major natural gas producing counties as been mediocre at best. The state is poised to repeat history with more of its natural resource wealth flowing out of state, including jobs, profits and lost tax revenue, unless policy makers act to incentivize more downstream development.

According to "A Win-Win Marcellus Shale Tax Incentive," a report released today by the West Virginia Center on Budget and Policy, policymakers should consider taxing natural gas liquids (NGLs) at a higher rate if they are not being used to develop more in-state industries like chemical manufacturing. The report recommends increasing the severance tax on natural gas liquids from 5 to 10 or 15 percent while offering a tax credit to offset to the higher rate if the NGLs are processed at a cracker facility or used in chemical manufacturing.

"West Virginia has a long history of relying on natural resource extraction to fuel our economy, but that reliance has recently resulted in the state shipping our most valuable resources out of the state to be developed," explained Sean O'Leary, fiscal policy analyst with the West Virginia Center on Budget and Policy. "As we have seen with the booms and busts of the coal industry, this leaves behind an economy lacking diversity and development with not enough good-paying jobs."

With the Marcellus Shale boom, history looks to be repeating itself, as West Virginia exports the jobs and economic development derived from its natural gas resources. Policymakers, however, can act to keep more of the economic benefits of West Virginia's natural resources in-state, while incentivizing economic development that will create more West Virginia jobs.

Key Findings

- While natural gas production is booming in West Virginia, the boom has not led to greater economic development. Overall, West Virginia lost jobs during the boom, and growth has been disappointing in the counties that have seen the biggest increase in gas production.
- With little success, West Virginia has offered large tax incentives to encourage chemical-based manufacturing plants to locate in the state and use its natural gas liquids. Instead, companies pipe the liquids out of West Virginia to be used elsewhere, taking jobs and economic growth with them.
- A new severance tax incentive, based on a higher rate for natural gas liquids, with a credit to related in-state industries, may encourage ethane cracking and other chemical manufacturing to create in-state jobs while generating additional tax revenue for investment in infrastructure and human capital.
- If West Virginia increased its severance tax on natural gas liquids from five to ten percent, it would increase revenue by an estimated $168 million over the next five years.

The full report is available at www.wvpolicy.org.

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