



# OKPOLICY.ORG

## Oklahoma Policy Institute

### IT'S TIME TO END THE SPECIAL TAX BREAK FOR OIL AND GAS PRODUCERS

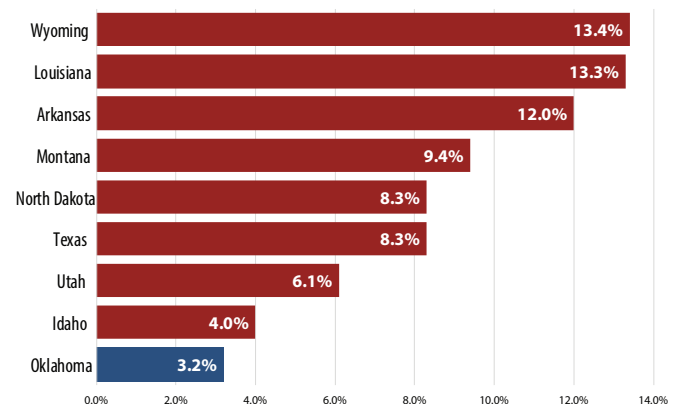
Oklahoma is set to enact deep budget cuts that will harm our communities and economy and put the lives of vulnerable children, veterans, and seniors at stake – unless we are willing to take sensible steps to end unaffordable and unnecessary tax breaks.

#### The Facts

- Oklahoma's longstanding tax rate on oil and gas drilling is 7 percent, but a special tax break gives the industry a 2 percent rate for the first 3 years of any new well.
- Tax breaks on oil and gas are projected to cost the state over \$500 million in lost revenue next year – that's about half the state's budget shortfall.
- Oklahoma's tax rate on oil and gas is the lowest of any major oil and gas producing state.
- Energy groups representing the largest oil companies claim that ending the tax break for oil and gas drilling will drive investment out of Oklahoma, resulting in the loss of high-paying jobs and state tax revenue. But state tax rates and tax breaks are of very minor significance in determining companies' decisions on where and when to drill, and are rarely decisive for the profitability of drilling. A survey of Oklahoma oil and gas companies found tax incentives to be the least important factor affecting drilling decisions.
- Oklahoma will remain an attractive location to drill due to our ample reserves, existing levels of production, skilled workforce, and established infrastructure. Even if some companies give up their claims here, others will be ready and eager to step in.

*“For most of our adult lives, we have owned working interests in Oklahoma and Texas wells. The severance tax rates have never made a difference to us or our partners when we selected the best prospect.” - Peter Henry, Tulsa World, April 14, 2017*

Effective Severance and Ad Valorem Tax Rates Paid By Oil and Gas Industry, FY 2016



Source: Covenant Consultant Group, 2016 Oil and Gas Tax Comparison for the State of Idaho, Jan. 2017

*“We believe the oil industry should stand up and agree that returning the oil and gas production tax to its historical level demonstrates our commitment to help solve this serious state budget crisis.” - Dewey Bartlett, Jr., former Tulsa mayor, president of Keener Oil and Gas*

To save our state, everyone must contribute their fair share. Contact your legislator today and urge them to restore the historical 7 percent tax rate for oil and gas.

Call your House member at 405-521-2711 and your Senator at 405-524-0126. You can also look up contact info for your legislators by going to <http://okpolicy.org/resources/find-your-legislator/>.