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Oklahoma Policy Institute

VOTE NO ON HB 2562

HB 2562 would make permanent a huge tax break for oil and gas production by taxing all drilling at just 2 percent for the first 3 years of production. Extending and expanding the current tax break is unnecessary for the oil and gas industry and not in Oklahoma's best interests.

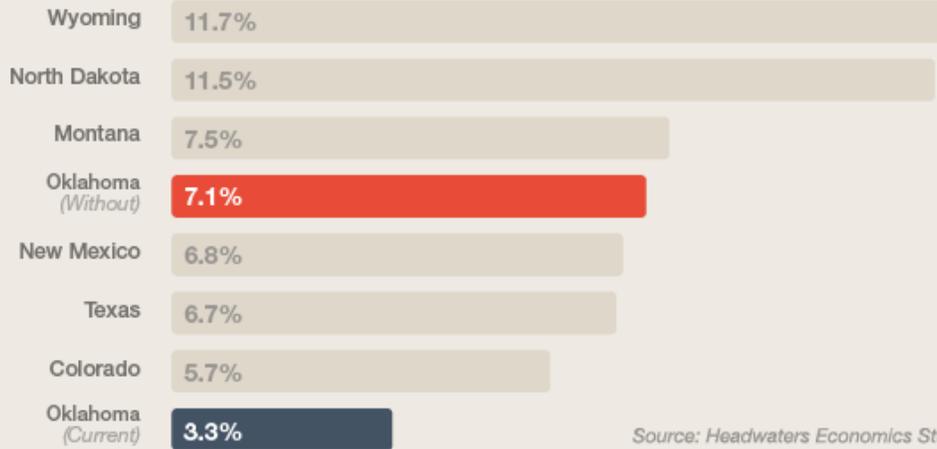
- **When the tax break for horizontal drilling was enacted two decades ago, the technology was new, experimental, and highly risky.** Now horizontal drilling is standard industry practice everywhere.
- **Drilling in Oklahoma is just as profitable as in other states, with rates of return that match or exceed operations in other states.** *“From an economics standpoint, we think that the SCOOP [Oklahoma] economics... compares quite favorably to the Bakken [North Dakota].”* (Richard Moncrief, Continental Energy)
- **Oklahoma's gross production taxes are well below other states.** *“Oklahoma's policy of exempting production from horizontal wells goes way beyond encouraging innovation and reducing investment costs and exempts wells that oil and gas producers would drill and develop even without the exemption.”* (Jennifer Carr, Tax Analysts)
- **Taxes have little bearing on the decision to drill.** *“I've overseen the budgeting process of drilling more than 10,000 wells. In each process there were many factors that we considered. However the implication of the gross production tax has never had a material effect on whether to drill or not to drill.”* (Tom Ward)
- **The ballooning cost of tax breaks for oil and gas production – estimated at \$252 million this year - is hurting our ability to fund critical services.** *“Severance taxes, historically, has been how the oil and gas industry has helped contribute their part to the state. And as corporate citizens, they ought to be contributing their part.”* (Don Millican, Kaiser-Francis Oil Company)

Legislators should reject this hastily developed plan and take the time before the current tax break expires next year to come up with a proposal that is fair to everyone.

For more information, go to: tinyurl.com/sensiblesolution.

ELIMINATING THE TAX BREAK WILL NOT HURT THE ECONOMY

IF THE TAX BREAKS ARE ELIMINATED, THE EFFECTIVE TAX RATE ON A HORIZONTAL WELL OVER A PERIOD OF 10 YEARS, WOULD STILL BE EQUAL TO / LOWER THAN MOST COMPARABLE STATES.

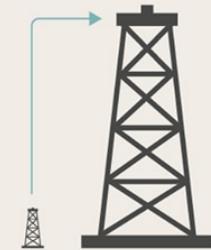


Source: Headwaters Economics Study

TOGETHER WE CAN DO BETTER

THE TAX BREAK FOR HORIZONTAL DRILLING HAS INCREASED BY:

↑ \$216 MILLION

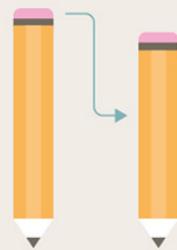


\$36M
2008

\$252M
2014

WHILE SCHOOL AID FUNDING HAS BEEN SLASHED BY:

↓ \$213 MILLION



\$2,050M
2008

\$1,837M
2014

BUT WITH AN ADDITIONAL \$252M PER YEAR, SCHOOL AID FUNDING COULD INCREASE BY:

↑ \$370 PER PUPIL

