

BOB DOLE



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New Year Will Bring Significant Cut in "Windfall Profit" Taxes

WASHINGTON--Effective January 1, 1983, the so-called "Windfall Profit" Tax will be reduced substantially on crude oil from small stripper wells and from newly discovered wells, according to Senate Finance Committee Chairman Bob Dole (R.-Kansas). This tax relief was enacted as part of the Economic Recovery Tax Act of 1981, but the effective date of these changes was delayed. In addition, just before Congress adjourned, it passed legislation to extend the royalty owner exemption to certain trust interests that had not previously been eligible for Windfall Profit Tax relief.

Under the 1981 tax cut legislation, on January 1, 1983 all stripper wells (wells that pump fewer than 10 barrels per day) other than those owned by major oil companies will be totally exempt from the Windfall Profit Tax. Stripper wells produce about 12.6% of all U.S. production, but constitute a majority of all wells.

Also on January 1, the tax rate on newly discovered wells (wells that first began commercial production after 1978) will be reduced by 2.5%, lowering the total tax rate from 27.5% to 25%. Originally the tax rate on newly discovered oil was 30%, but it is being annually phased down to 15% by 1986 as a result of the 1981 tax cut legislation.

"I hope the implementation of this oil tax relief will be helpful in reversing the current depressed state of domestic oil exploration and will prevent thousands of small economically marginal wells from being prematurely abandoned," Senator Dole said.

In addition, as part of a technical corrections tax bill that Congress passed just this month, royalty owners who hold their interests in trust will be eligible for the same 2-barrel-per-day exemption from the Windfall Profit Tax that is available to other royalty owners. This change will be effective for taxable year 1982. "I believe that this change will deliver long overdue just treatment for royalty owners with trust arrangements," Senator Dole commented. "This means that all royalty owners, even those with their royalties in trust, can receive more than \$23,000 per year in oil royalty income before they would be subject to the 'Windfall Profit' Tax. For all royalty owners, the 2-barrel-per-day exemption will be increased automatically to 3 barrels per day in 1985," Senator Dole said.