NEWS from U.S. Senator Bob Dole

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7/16/75

DOLE INTRODUCES WINDFALL PROFITS TAX TO ACCOMPANY OIL PRICE DECONTROL

Senator Bob Dole introduced a windfall profits tax late yesterday as an amendment to H.R.6860, the energy-tax bill presently under consideration by the Senate Finance Committee. The 90 percent tax is designed to accompany a plan for the phased decontrol of domestic "old" oil such as the proposal President Ford has indicated he will be sending to Congress in the near future.

An excerpt from Dole's introductory floor statement follows:

OIL DECONTROL TAX

Mr. DOLE. Mr. President, the amendment I submit to H.R. 6860, establishing an excess profits tax on the decontrol profit from domestic oil production, is designed to accompany a plan for the decontrol of "old" domestic oil prices. While the need for decontrol of domestic oil prices is apparent, so too is the need to prevent inordinately high profits for oil producers. The amendment I offer today preserves the economic incentive for the exploration and development of domestic reserves and, via a plowback provision, assures that large oil producer profits resulting from decontrol are employed in the search for new domestic petroleum.

ACCOMPANY DECONTROL PLAN

The administration is proposing decontrol of domestic oil prices over a 30-month period. A slower phaseout of "old" oil price controls has been proposed in the House. And, prior to a final resolution of the issue, other decontrol plans may be considered by the Congress. Whichever plan is ultimately agreed upon—and I hope some decontrol formula is enacted soon—the excess profits tax I am proposing will insure that the profits derived from decontrol are directed toward new domestic petroleum production.

The tax I propose will extend over a 60-month period from the commencement of oil price decontrol. Thus, although prices to the consumer will be decontrolled over a shorter period of time—30 months under the President's plan—"decontrol" for the producer will extend over 60 months due to the excess profits tax.

SUMMARY OF PROVISIONS

Basically, the amendment provides for a tax of 90 percent of the price per barrel above $5.25, the ceiling price on "old" oil under existing FEA price guidelines. Thus, a barrel of decontrolled oil selling at the market rate—roughly $13—would be subject to 90 percent taxation on the $7.75 decontrol profit. This tax could be substantially reduced if the oil producer "plowed back" the decontrol profit in exploration, development, and production of domestic energy resources. However, at least some additional revenue will be collected notwithstanding the plowback provision, since plowback provides a credit only to the extent of 90 percent of the decontrol profits tax liability.

I offer this excess profits tax with the hope that it will serve as a framework on which the Finance Committee can build. The need for decontrol of oil prices is evident. And, just as clearly, there is a need to avoid windfall profits for oil producers. The tax I am proposing in conjunction with a well-conceived decontrol formula will lead to increased exploration and production of domestic petroleum reserves.