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WASHINGTON, D.C. Dec. 9 -- U.S. Senator Bob Dole (R-Kans.) today called up for debate and a vote his amendment to the tax reform package which would eliminate the five percent minimum tax on intangible drilling cost deductions.

The Dole amendment would remove intangible drilling and development costs from the list of tax preference items subject to a five percent rate under HR 13270, thus providing needed incentives to the independent oil man to reinvest in his business.

In a Senate statement, Dole said, "First there is no logical reason why we should subject ordinary business expenses of any taxpayer engaged in the exploration and development of oil and natural gas reserves to the five percent tax. Intangible drilling and development costs are the oil man's ordinary business expenses."

On the reinvestment theory, the Senator said, "The amendment assures that percentage depletion in excess of basis, after taking intangible drilling and development costs into account, would be considered a preference item. Thus, if the driller ceases to drill and incurs no intangible drilling expenses, his entire percentage depletion would be subjected to the five percent tax."

Dole cited this example: "If an oil producer had a gross income from a property of \$100,000 for the year, he would be entitled to depletion. Assuming the producer is limited to 18% depletion (a percentage close to the average of the industry), his depletion deduction for the year is \$18,000. Under my amendment, the producer would be subject to a five percent tax or \$900 on this \$18,000 of depletion, if he did no drilling for additional oil or gas reserves. If he drilled for additional reserves and spent \$10,000 to cover intangible drilling and development costs, the depletion subject to the tax would be reduced by \$10,000; that is, he would be taxed five percent on the balance of \$8000, or \$400."

Dole said the reinvestment incentive is "in accord with the fact that if we are to meet the rapidly growing demand for oil and natural gas, very substantially increased funds must be invested in the exploration and development of these resources."

Urging his colleagues to support the amendment, Dole said, "The most important question for the Senate in reaching a decision is 'what will be the effect on the ability of the petroleum industry to meet the future requirements of this nation?'"

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"We in Congress," he added, "would be acting irresponsibly if we vote to discourage exploration and development activity, which is already inadequate because of excessive imports and other economic reasons. We must also consider especially the small independent producer, who with limited means of raising capital, still conducts the bulk of the search for new reserves of oil and natural gas. His ability to drill wildcat wells or development wells would be greatly impaired if intangible drilling and development costs are taxed at the five percent rate."

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