

News from Senator

BOB DOLE



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FOR IMMEDIATE RELEASE
FRIDAY, NOVEMBER 16, 1979

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DOLE PRODUCTION INCENTIVE CREDIT WOULD ENCOURAGE EXPLORATION, PRODUCTION OF OIL

WASHINGTON -- Senator Bob Dole (R-Kan.) today introduced a "production incentive credit" to the windfall profits tax bill to encourage oil companies to invest the increased revenues to be generated by decontrol in new energy production.

Dole, ranking Republican on the Senate Finance Committee, said, "The rationale for enacting the so-called windfall profits tax is so government can recapture a portion of the increased revenue to be generated due to decontrol. The tax has no relationship to profits. Revenues that are retained by the producer may or may not be returned into energy production.

"Under the Administration's excise tax, there is no assurance that the American people will benefit from new supplies of oil. Nothing prevents any of the major oil companies from diversifying their holdings into non-energy assets. I believe it is sound policy to ensure that the money goes back into energy development.

"While the windfall profits tax is necessary, it is clear that it will not increase supplies of energy. It will, however, raise billions of dollars in new taxes. The excise tax is a revenue machine that will fill the treasury, not shorten gas lines and fuel American commerce.

"My amendment would allow an incentive credit to offset the windfall profits tax if the increased revenues were put back into production. Essentially, a 'production incentive credit' for qualified domestic exploration and development of oil and gas may be used to offset the amount of the energy tax. The production incentive credit is an amount equal to one-third of the 'qualified development costs' over the 'production base.' This is to discourage the drilling of dry holes simply to reduce the tax liability."

Qualified development costs include intangible drilling expenses, geological and geophysical costs, expenditures for the construction of depreciable assets used from the development of oil and oil shale, expenditures for lease equipment, and other costs for drilling and equipping wells. The production base is the average of the highest three out of the last five taxable years preceding the year for which the base determination is being made. The taxpayer, in calculating the production base, would include only half of his qualified development costs for exploration and development of certain Alaskan oil and crude oil from the Continental Shelf areas.