

## Rocky Mountain News

# Proposal aims to raise taxes on oil, gas industry

## Ballot measure would give money to universities

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Matt McClain / The Rocky

PHOTO: Halliburton employee Kevin Trapp gets a cement batch mixer up and running on the Bosque del Oso State Wildlife Area outside Trinidad.

Democratic lawmakers are planning a ballot measure that would raise taxes on the oil and gas industry and channel tens of millions of additional dollars to Colorado's universities.

Sens. Abel Tapia and Chris Romer on Thursday revealed the measure, which would increase the severance tax on the industry from 5 percent to 6 percent.

It also would eliminate a property tax credit, further increasing the tax burden on oil and gas producers. But those tax increases would take effect only if the industry keeps operating at a healthy pace.

The lawmakers approached the presidents of the state's two largest universities - oilman Bruce Benson, of the University of Colorado, and Larry Penley, of Colorado State University - and said both were supportive of the concept.

If approved by voters in November, the measure would raise \$140 million of additional revenues for the state in the first year, \$210 million in the second year and \$235 million a year thereafter, according to an analysis by the Legislative Council.

### **Severance tax**

"This proposal ties tax increase to the health of the industry," said Tapia, a Democrat from Pueblo, who plans to float the measure in the coming weeks.

A state analysis last year found that the overall tax burden for oil and gas companies in Colorado was 5.7 percent of production, compared with 11.2 percent in Wyoming and 9.4 percent in New Mexico. Only Utah had a lower rate burden, at 4.5 percent.

Also, drillers in Colorado can credit 87.5 percent of property tax they pay against their severance tax, a benefit found in no other state. The property tax credit is so large that producers in 25 of the state's 30 energy-producing counties paid no severance tax in recent years.

Industry has repeatedly rejected the idea of a severance tax hike, but on Thursday offered a nuanced response.

"We are going to read the letter," Meg Collins, president of the Colorado Oil and Gas Association, said Thursday after Romer handed her an outline of the measure. "But we won't talk about a severance tax increase while we have this (rule-making) in front of us."

Indeed, the state's rule-making was the focus of a major protest by the association in Denver. More than 750 protesters, including two dozen lawmakers, stood on the west steps of the Capitol - some holding "Please don't rule us out" placards. They staged similar protests in three other Colorado towns.

### **Sen Penry to wait, see**

Both Tapia and Romer said the Colorado Department of Natural Resources' proposed rules on oil and gas drilling, to be released Monday, would shape the industry's mood for severance tax discussions.

The department is overhauling rules to reduce the impact of drilling on communities, while industry says the changes would slow down investment and force some companies to leave the state.

Sen. Josh Penry, R-Grand Junction, said he would wait until Monday and see the rules before making a decision on the proposed severance tax measure.

Penry said he was working with Sen. Gail Schwartz, D-Aspen, on a bipartisan bill to channel some of the money Colorado gets from oil and gas drilling on federal lands toward higher education.

"The position I have consistently taken is that I don't think we should talk about a substantial tax increase on the oil and gas industry while it's in the midst of a process that will totally rewrite the rules," Penry said.

Romer, a Denver Democrat, said he understands the industry's concerns about the impending rules, but the ballot measure would help form a stronger partnership between the state and the industry.

"We have been having this conversation for four years and have reached a tipping point," Romer said.

### **Other proposals eye tax**

Tapia and Romer had dinner with Benson Tuesday to discuss the ballot measure and also have talked to Penley. Both were receptive to the idea, Romer said.

Benson did not return calls from the *Rocky Mountain News*, and CSU officials could not reach Penley, who's traveling.

Romer said the measure would be win-win for all parties, since the additional tax revenues would be spent training students in engineering, geology, math and science - skills required by the industry.

Some of the money would help communities impacted by oil and gas drilling, and also promote Gov. Bill Ritter's vision of a new energy economy based on solar, wind and biofuels production and consumption.

Other efforts to raise the severance tax are also afoot.

Environmental groups are preparing to ask voters in November for a severance tax hike that would raise \$200 million to \$300 million in additional funds per year to preserve open space and fund clean-energy initiatives.

Rep. Kathleen Curry, D-Gunnison, is also working on a severance tax bill in the legislature.

Additionally, another ballot measure would eradicate the property tax credit for oil and gas, channeling another \$200 million toward higher education and communities affected by drilling.

That measure was filed this month by Tony Lewis, director of the Donnell-Kay Foundation, which works on education issues, and Randy Udall, former director of the Community Office for Resource Efficiency, a Western Slope group that promotes renewables.

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### **Highlights of ballot proposal**

\* **Raise severance tax** on oil and gas production by 1 percent, to 6 percent from 5 percent

\* **Eliminate property tax** credit over three years; currently, the tax credit allows producers to take 87.5 percent of their property tax and deduct it from what they pay in severance tax

**50 percent** is what the credit would be cut to in the first year

**25 percent** in the second year and eliminated in the following years

\* **Elimination** of the property tax credit would be in place only if the state approves 5,000 or more drilling permits each year.

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