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Tax plan would aid higher ed
The severance initiative would reduce the rate oil and gas companies pay but end a property-tax credit.

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By Allison Sherry, *The Denver Post*

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Education advocates filed initiative language Wednesday that would charge oil and gas companies a 4.9 percent severance tax on what they pull out of Colorado soil, with the money going to higher-education capital-construction projects.

In exchange for lowering the current rate from 5.7 percent, the proposal will ask voters to close a loophole that currently allows these companies to offset what they pay in severance tax with what they pay in property tax.

In counties with high property taxes, this means that oil and gas companies, in some cases, don't pay anything on what they take from the ground, said Tony Lewis, executive director of the Donnell- Kay Foundation.

"We're saying, 'Get rid of the credits; get rid of the exemptions. That's not right,' " Lewis said.

This initiative language is the fifth to be proposed in trying to get more money from the state's severance tax. Environmental groups have proposed four versions of a ballot initiative that would funnel money to renewable-energy projects, open space and wildlife habitats.

Colorado's severance-tax rate is much lower that of its neighbors. New Mexico charges 9.4 percent, and Wyoming charges 11.2 percent. Both states have used part of these taxes to pay for higher education.

Public funding for Colorado's colleges and universities is ranked 49th in the country. A national study said the state needed more than $700 million to catch up to its peer institutions.

Lewis estimated his plan could raise another $200 million a year.

In 2007, with the current restrictions in place, Colorado brought in $124 million.

With roughly $325 million, Lewis said, $96 million would go to a capital-construction trust fund and $24 million would fund the projects themselves for colleges and universities. The rest would go to local communities.

No money from the severance tax would go to higher-education operations, because the amount the tax reaps can vary so widely from year to year, Lewis said.

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By the numbers

5.7%

Colorado's severance-tax rate — what oil and gas companies pay on what they extract

4.9%

Proposed new rate, with elimination of a provision that subtracts property taxes from severance tax due

9.4%

New Mexico's severance-tax rate

11.2%

Wyoming's severance-tax rate

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